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NEWS SUMMARY

GENERAL

Neutrons in UK unlikely —Premier

It is unlikely that there will be a need for neutron bombs to be based in Britain, Mrs. Thatcher told the Commons yesterday.

She had come under strong pressure during Question Time to give an assurance that the bombs would not be based here.

She explained that the bomb would be directed at the big concentrations of armour in the Warsaw Pact countries. Page 9

Times doubts

The national councils of print unions NGA and Natsopa have rejected staff cuts and a pay freeze proposed as part of Mr. Rupert Murdoch's requirements for the purchase of Times Newspapers. Back Page

B Ae 'is strong'

Sir Austin Pearce, chairman of British Aerospace, commenting on the Government's offer for sale next Friday of shares worth £150m in the company, said that it was in a strong position, with orders of close to £3.5bn. Page 5; Back Page

Aid cuts attacked

Britain's cuts in Third World aid have been criticised by other members of the OECD's development assistance committee. Leader, Page 18; Back Page

New hunger strike

Republican prisoners in the Maze and Armagh prisons say they will resume their hunger strike on March 1 in their campaign to be treated as political prisoners. Page 9

Men of merit

Sir Laurence Olivier, the actor, Sir Peter Medawar, the scientist, and Group Captain Leonard Cheshire, the war hero who founded a worldwide chain of homes for the disabled, are to become members of the Order of Merit. They are the first new members of the order, limited to 24, since 1977.

Spy jailed

East German-born computer expert Gerhard Arnold, who *confessed to spying for East* Germany, was jailed for two and a half years in Munich.

Premier shamed

Piotr Jaroszewicz, 71, Polish Premier for almost 10 years until February last, has been *stripped of his Communist* Party membership.

Doctor charged

Dr. Leonard Arthur of Derby was charged with murdering a three-day-old handicapped baby.

Engineer 'insane'

Soviet engineer Alexei Nikitin, who told Western journalists in December about conditions in the *Donetsk coalmines*, has been taken to a hospital for the criminally insane. Page 2

Maori protest

Maori activists plan a peaceful protest at today's celebrations of the 141st anniversary of the Treaty of Waitangi, under which chiefs surrendered sovereignty to Queen Victoria.

Exile bombed

Romanian exile Serdam Orescu, who campaigned for human rights in his homeland at the Madrid conference, was injured in his Cologne home when a parcel bomb postmarked Madrid exploded.

Briefly . . .

Andrew Taylor of the Financial Times won the Property Journalist of the Year award. Page 6

Chicago woman Irma Rivas, who lost her right hand and *three fingers* of her left in an industrial accident, was awarded $3.6m.

Belgian transport and industry was paralysed by a 24-hour strike against pay restraint.

BUSINESS

Equities off 6.9; $14 fall for gold

● EQUITIES weakened amid disappointment over the absence of a cut in MLR. The FT 30-share index fell 6.9 to 472.0. Page 30

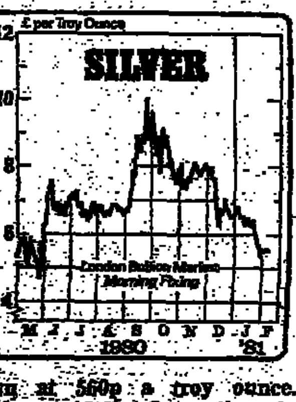
● GILTS *also lost ground*, with the Government Securities Index off 0.14 at 69.33. Page 30

● STERLING fell 1.70 cents to $2.3405 in London, but gained ground against Continental currencies, closing at DM5.0250 (DM4.9900). Its trade-weighted index was unchanged at 104.1. Page 23

● DOLLAR improved to DM 2.1460 (DM 2.1160) in London and to SwFr 1.9430 (SwFr 1.9200). Its trade-weighted index rose to 98.9 from 98.6. Page 23

● GOLD fell $14 an ounce to $491.5 in London. Page 23

● SILVER prices held firm, despite the decline in gold. The London bullion spot quotation at the morning fixing was 6.75p



down at 560p a troy ounce. Traders said the fluctuations in gold discouraged trading interest. Page 29

● WALL STREET was up 3.84 at 945.82 near the close. Page 28

● U.S. NATURAL GAS price controls may be scrapped from September. Back Page

● EUROPEAN COMMISSION plans "a much tougher line" against subsidies from member states to ailing industries. Page 2

● GOVERNMENT and nationalised industries chiefs are to consider plans for better *co-ordination of UK bids for big* overseas contracts. Page 6

● THYSSEN, West Europe's largest steel concern, reported net profits of DM 117m (£23.4m) for the year ended September, against DM 167m the previous year. Page 26

● NUOVA INNOCENTI, the Italian motor company, is to switch from BL to Daihatsu *engines for its version of the* Mini.

● MITEL, the Canadian telecommunications manufacturer, is to build a £30m plant in Chepstow, South Wales.

● SEDDON ATKINSON, *Lancashire-based* truck manufacturer, is to cut its manufacturing capacity by about half and shed 810 jobs. Back Page; GKN redundancies: Page 6

● LONRHO, international trading conglomerate, reported *record pre-tax profits of £119.1m* (£78.2m) for the year ending September 30. Page 20; Lex, Back Page

● MINING SUPPLIES, the mining machinery group, increased pre-tax profits from £0.55m to £2.37m for the 26 weeks to October 25. Page 20

● CHRISTIE TYLER, furniture and upholstery manufacturer, reported pre-tax losses of £445,000 for the half-year to end October, against £1.61m profits. Page 20

● AARONSON BROS, veneer and laminate manufacturer, reported pre-tax profits down *from £4.01m to £1.98m* in the year to September 30. Page 22

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Amalgamated Power	73	+ 5	Treasury 15¼% 1998 £114	–	3
Aquascutum A	31	+ 4	Allied Breweries	64	– 3
Avana	210	+ 5	Bridon	45	– 7
Barget	160	+ 10	Brockhouse	30½	– 4½
E.R.F.	52	+ 5	Diploma Invs.	153	– 6
Fairview Estates	110	+ 4	GEC	620	– 12
Hammerson A	625	+ 10	Grattan Warehouses	72	– 6
Henlys	82	+ 5	GUS A	490	– 8
Hill Samuel	138	+ 5	GKN	139	– 6
Kennedy Brookes	105	+ 8	Guinness	72	– 3
Lee Cooper	165	+ 15	London United	177	– 6
Phoenix Mining	55	+ 4	Wholesale Fittings	225	– 15
Robertson Foods	155	+ 4	Cons. Gold Fields	440	– 13
Unitech	225	+ 9	Jones Mining	26	– 6
Celtic Basin	100	+ 25	Leichhardt Exploration	70	– 10
Cluff Oil	345	+ 15	Otter Exploration	82	– 5
Ashton Mining	110	+ 6	Western Mining	235	– 8
Durban Deep	800	+ 141			
Impala Platinum	336	+ 23			
UC Invs.	450	+ 10			

Scott Report urges inflation-proofing of private pensions

BY PHILIP BASSETT AND ROBIN PAULEY

INFLATION - PROOFED pensions in the public sector are a good thin gand should be introduced extensively in the private sector, perhaps through index-linked gilt edged stock, says *the report of an inquiry* into the value of pensions.

The committee of inquiry was headed by Sir Bernard Scott, *deputy chairman* of Lloyds Bank and former chairman of Lucas Industries.

It was set up last May by Mrs. Thatcher who was worried about rising anger in the private sector about the index-linking of public sector pensions. She and some of her Cabinet colleagues, *notably* Sir Keith Joseph, felt that index linking was a recipe for inflation.

Sir Bernard's committee *therefore has provided no satisfaction* for Mrs. Thatcher.

The report says that civil servants effectively contribute almost 8 per cent of their pensionable pay in contributions, about double the contribution by comparable groups outside the civil service doing the same sort of work.

The civil service unions were jubilant yesterday at this vindication of their argument that not only are civil servants' pension contributions adequate but that they pay considerably more for their pensions than do their comparable groups in the private sector.

It was a misconception to say civil servants did not pay anything for *their* pensions, Sir Bernard said yesterday. Concern about the 5m public sector protected pensions was largely the result of high rates of inflation and the fact that private sector employees and the self employed—the hardest hit—*could not have index-linked* pensions "at any price."

"This is the cause of the feeling of injustice which is so widely held in the private sector and it must be recognised," he said. France and West Germany were only two examples of countries which had managed to find schemes for index-linked pensions for public and private sector employees.

The committee felt the critical factor in valuing an index-linked pension was the assumption concerning the real rate of return on investments *over the next 40 or more years* (the difference between the gross rate of return on assets and the corresponding rate of inflation).

The Government Actuary assumed an average rate of inflation of 7 per cent per year and a return of 10 per cent maximum—a net return of not more than 3 per cent, which the committee accepted.

Sir Bernard said the committee had not contemplated a rate of return below zero because in the long-term negative returns required such a dreadful view of the economy that it was "barely tenable."

Sir Bernard defended the fact that the committee might have exceeded its brief by considering private sector as well as public sector pensions. He said it had been necessary to look at the whole picture.

On the other hand it had not fulfilled that part of its brief requiring it to assess relative job security in the public sector. "The Standing Commission on Pay Comparability (the *Clegg Commission*) was asked to consider job security but was unable to come forward with any evaluation; nor were we," the report says.

Mr. Bill Kendall, secretary-general of the Council of Civil Service Unions, noted the inquiry's rejection of some of the high figures that had been "bandied about" as the true value of public sector pensions. He said: "The report also vindicates what we have said, that it is not wrong to index-link pensions—in fact it states

Continued on Back Page

ELECTRICITY FUND DEFICIT

The Electricity Council's white collar pension fund—which in practice pays pensions linked to the Retail Price Index—has a £161m actuarial deficit. The council is to pay £52.8m to top up the fund. Page 6. *Scott report details Page 8* ● Editorial Comment Page 18

White-collar civil servants offered 6%

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT yesterday gave the clearest indication so far of its determination to keep pay increases for workers under its direct control within strict limits when it offered white-collar civil servants 6 per cent rises from April.

Hospital ancillary workers have been offered 6 per cent, and ambulance men seem likely to be made a similar offer today. However, because of those two groups' traditional links with local authority manual workers, who have settled for rises of 7½ per cent, there are union hopes of improvements in the offers.

Union leaders representing the *550,000 white collar civil* servants yesterday presented their claim for an increase of 15 per cent, coupled with *minimum rises of £10* a week. But Civil Service Department officials made it clear that an overall rise of 6 per cent on the pay bill was all the country could afford.

The Council of Civil Service Unions, earlier buoyed-up by the outcome of the Scott inquiry on public service pensions, angrily rejected the offer and demanded a meeting with ministers. Lord Soames, the Lord President of the Council, who has responsibility for the Civil Service, is expected to meet the unions on Monday. However, he is unlikely to be convinced of the need to go back to Cabinet for further money.

The unions were told firmly that the Government's *crucial* priority was to reduce public spending, in which wages played a major part.

Civil Service Department officials argued that restraint was not unreasonable since civil servants' pay rises over the past two years had been sizeable, averaging 25 per cent in 1979 and 18¾ per cent last year.

They rejected as irrelevant the unions' arguments of movements in the retail price and other indices, and dismissed as speculative suggestions that Pay Research comparability reports would have shown civil servants to be due increases of 15 to 19 per cent. The reports have not been delivered this year because the Government has suspended the Civil Service pay agreement.

The offer would add about £276m to the *Civil Service's* current annual pay bill of some £4.6bn. How the 6 per cent would be distributed between different *civil service* grades would be for negotiation.

A similar offer is likely to be made to 160,000 industrial civil *servants in the summer.*

The offer, which has been made in advance of an announcement on cash limits for the Civil Service, will give fresh impetus to moves towards industrial action from next month.

Five Eurobond issues launched

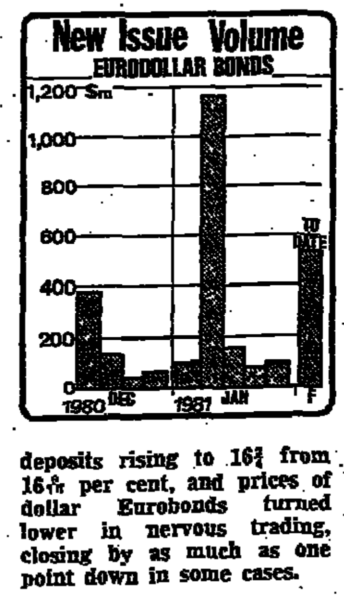
BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

THE EURODOLLAR bond market was confronted yesterday with a flood of new issues. Five fixed-rate bonds were launched for an aggregate *value of $400m.*

The issues followed a rally in the U.S. bond markets on Wednesday night. This was prompted by the relatively favourable acceptance in New York of this week's $8.5bn U.S. Treasury funding package.

But after a firm opening the Eurobond market quickly began to suspect a repetition of the events of early January when a record $525m worth of bonds was launched in a single day.

The New York bond market yesterday failed to sustain Wednesday's rally. Eurodollar interest rates edged higher, with six-month



deposits rising to 16¾ from 16¼ per cent, and prices of dollar Eurobonds turned lower in nervous trading, closing by as much as one point down in some cases.

Yesterday three new issues of $100m each were announced, for Continental Illinois, Ontario Hydro and British Columbia Railways, and two of $50m each were announced for Canada's Eldorado Nuclear and Tribune Co., the Chicago newspaper concern.

Dealers believed two or three other bonds could also be in the offing. This augmented market nervousness.

In Switzerland a SwFr 100m, 10-year, 6 per *cent bond issue for the World* Bank closed slightly undersubscribed. Bankers said the result would have been worse but for interest shown in the borrower by Middle Eastern investors.

Bond Table, Page 25

Sterling firm on unchanged MLR

By David Marsh in London and David Lascelles

STERLING firmed against Continental currencies and gilt-edged prices fell back by up to £3/8 following the Government's decision to make no change in Minimum Lending Rate yesterday.

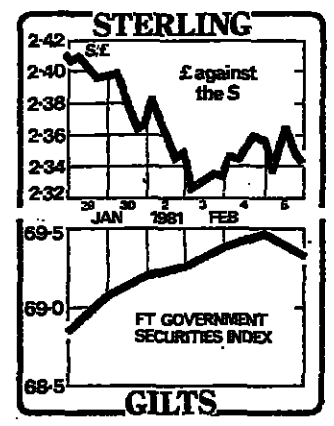
The dollar rose generally, in spite of easier short-term interest rates in New York, and closed in London at DM 2.1460 compared with Wednesday's DM 2.1160.

Sterling closed at $2.3405, 1.7 cents down on Wednesday, although it firmed from an opening low of $2.3355 to a peak of above $2.36 after the lack of any MLR change.

It also rose to DM 5.0250 from DM 4.9900 against the depressed Deutsche Mark.

Nonetheless, the index of its value, trade-weighted against a basket of other currencies, closed unchanged at 104.1.

On the UK financial markets the feeling gained ground that



the Government is saving up an *MLR cut for the March Budget.* Three month inter-bank rate finished little changed on the day at 13¼ per cent.

In New York, dealers say the Federal Reserve appears to be easing U.S. credit slightly, after keeping short-term interest rates near record levels for several weeks.

The pattern of the central bank's interventions in the federal funds money market over the past two days suggests it is content to allow the inter-bank rate to drop to the 16¼-18 per cent range, compared to 17-20 per cent before.

EMS: no passport to stability, Page 18
Money Markets, Page 23
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£ in New York

	Feb. 4	Previous
Spot	$2.3470-3480	$2.3530-3550
1 month	0.68-0.75 pm	0.65-0.75 pm
3 months	2.30-2.40 pm	2.40-2.50 pm
12 months	6.80-7.00 pm	6.50-6.70 pm

Thatcher hints at exchange rate aid for industry

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER gave a strong hint in the Commons yesterday that the Government intended to give early relief to industry because of the continuing adverse impact of a high sterling exchange rate.

Her pledge was taken by MPs as another indication of plans for a cut in interest rates and of likely action in the Budget on March 10 to aid industry in general and small businesses in particular.

Mrs. Thatcher, facing Labour accusations in an economic debate of deliberately creating mass unemployment, was asked if the Government intended to pursue a different exchange-rate policy in view of its adverse effects on industry.

She replied: "We have not got a positive policy for intervening in the exchange rate. Intervention cannot resist the market for very long."

But she went on to promise that "the height of the exchange rate is something we will bear very much in mind when taking other decisions."

The theme of Mrs. Thatcher's speech was two-fold, that industry would emerge from the present recession with many companies in a stronger position to take advantage of opportunities for expansion; and that the policies being put forward by the TUC would inevitably imperil long-term recovery and lead to hyper-inflation.

Her insistence that the Government had no intention of being diverted from its central strategy of beating inflation *brought angry protests from Mr. Michael Foot and Labour MPs*,

Duport in talks with BSC and New enterprise zones, Page 6
Parliamentary debate, Page 9
Around Britain, Page 12

who forecast that the unemployment level was now bound to rise to 3m or more.

Mrs. Thatcher, in a controlled and authoritative performance, appeared to have little difficulty in defending her policies against what had been billed as a major Opposition onslaught.

The Mr. Foot has launched a determined campaign to focus *attention inside and outside* Parliament on the level of unemployment and the impact of the Government's economic

Continued on Back Page

Banks prepare scheme for funding gas pipeline

BY RAY DAFTER, ENERGY EDITOR

A SCHEME to raise £700m is being drawn up by a group of six banks to clear the way for development to start on the major gas-gathering pipeline network planned for the UK sector of the North Sea.

The banks, led by the Bank of Scotland, are to propose a funding operation which will enable construction to begin on the £2bn project without *government guarantees.*

If accepted by the Government and the pipeline organising committee—British Gas, Mobil and British Petroleum—the package will be one of the biggest commercial funding operations in the world.

Also involved are Barclays, Lloyds, National Westminster, Citibank and Morgan Guaranty, and other banks could become involved later.

The banking group was asked recently by the organising committee to propose an interim financing arrangement which could support project development until a permanent pipeline company was formed.

The Government has proposed that the permanent company should comprise a mixture of state and private interests with, perhaps, British Gas holding a 30 per cent stake.

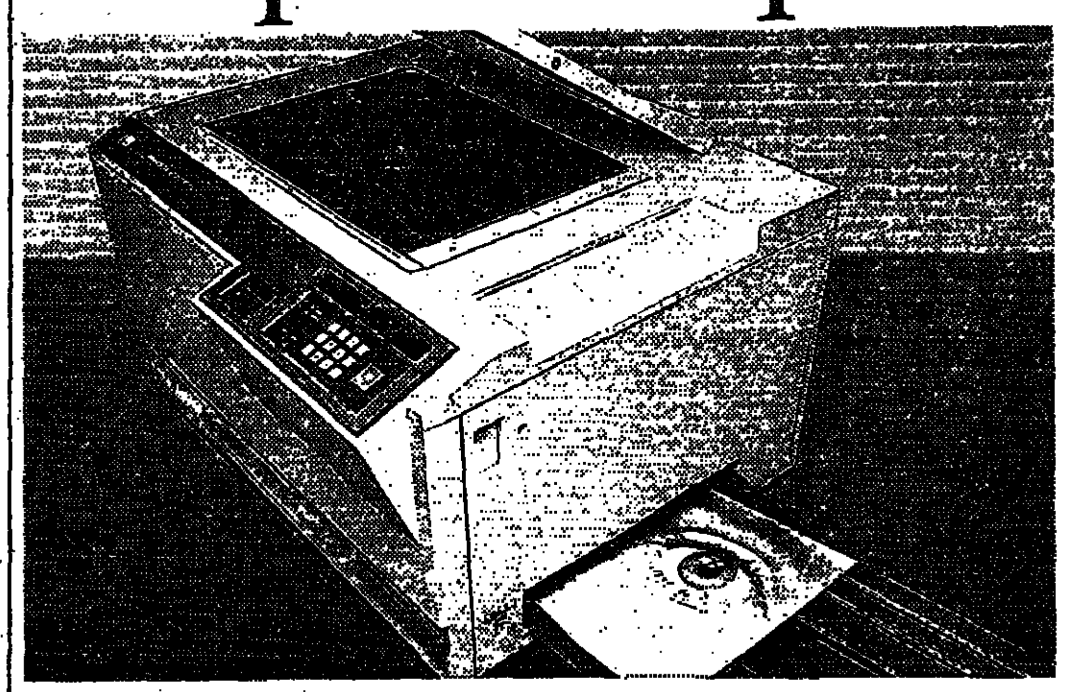
Initial funding on the scale being devised by the banks is crucial to the progress of the pipeline.

The timing of the study is also vitally important. It is expected that the banks' report will be submitted in time for an interim pipeline company to be formed by the end of March.

Project planning is being dogged by uncertainties, including the amount of gas to be collected. This depends partly on whether some Norwegian gas will be carried by the pipeline, the price to be paid for the dry and wet gases, and the roles to be played by British Gas and British National Oil Corporation in handling the fuels.

British Gas maintains that the project is on schedule so that new supplies through the ambitious pipeline network could be landed in 1984-85.

British Gas, Mobil and BP have decided to fund, on an interim basis, some £8m worth of preliminary work, to speed the development.



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EUROPEAN NEWS

EEC strengthens opposition to industry subsidies

BY CHRISTOPHER LORENZ IN DAVOS

THE EUROPEAN COMMISSION plans to take "a much tougher line" against national subsidies given by member states to help ailing industries, Viscount Etienne Davignon, the EEC Commissioner for Industry, warned here yesterday.

Advocating the "intelligent use" of State subsidies for industrial innovation, Viscount Davignon said it was "not helpful" to give more money to traditional industries.

Subsidies for depressed areas and traditional industries in difficulty, such as steel would be "meaningless," if they were used for "maintaining an impossible situation." They should be used to reduce capacity and restructure.

Speaking to 450 senior managers at a meeting of the European Management Forum, the Commissioner said: "You're going to see much more use of Commission powers not to permit certain types of subsidies. Brussels would be "preoccupied" for example, if the British Government's new £1bn aid package for BL—now under examination by the Commission—turned out to be simply for maintaining the company's current position, rather than for re-creating its competitiveness and removing the need for further aid.

When supporting new technologies and industries, neither the member states nor the Community as a whole should try to "pick winners," said Viscount Davignon. That task was industry's though the Community might "chip in" to common programmes for risk sharing if sufficient companies wanted to join in.

But there were areas where common Community funding was obviously needed, for example in energy saving, nuclear fusion, gasification and data banks.

Emphasising the importance of innovative products in the competitive battle with Japan, the Commissioner said he was "quite worried" to see that British exports contain more unsophisticated products than 10 years ago. A higher proportion of the UK's products now had little added value, he claimed.

His remark provoked a mild protest from Mr. Cecil Parkinson, the UK's Minister of State for Trade, who said: "I think that's questionable." Mr. Parkinson referred to increasing British exports of computers, aerospace equipment, scientific instruments and other products.

Reuter adds from Paris: Herr Hans-Dietrich Genscher, the West German Foreign Minister was quoted yesterday as saying that lower growth rates made it important for the European Common Market to revise its spending priorities and adjust the Common Agricultural Policy.

Herr Genscher, interviewed by the French newspaper Le Figaro, said Europe's cohesion and capacity to make decisions would be tested by the economic and political challenges facing it in the coming years.

"I think it is important, given lower growth rates, that we revise the structure of Community spending and fix new priorities. To do this, it is inevitable that we should make some adjustment to the Common Agricultural Policy, with the explosion of prices we've seen in this area," he said.

Turkey devalues lira by 2.5% against sterling

ANKARA — Turkey has devalued the lira against the U.S. dollar, the pound sterling and six other currencies, the central bank announced. The lira was devalued 4.2 per cent against the dollar and 2.5 per cent against sterling. The new exchange rates were 95.95 to the dollar compared with 91.90 and 225.10 against sterling, compared with 219.57.

The Deutsche Mark, Belgian franc, Danish crown and the French franc all changed slightly in value against the Turkish currency. The readjustments went into immediate effect, the central bank said.

Metin Munir adds: Bank Mellat of Iran is to open a branch in Istanbul, senior officials said yesterday. Mellat is the fourth foreign bank to apply for permission to do business in Turkey in less than a year, a sign that Turkey's open door foreign capital policy may be starting to yield results.

American Express, Citibank and Banque Credit Commercial International have received authorisation to open branches and are expected to start business in a month or two.

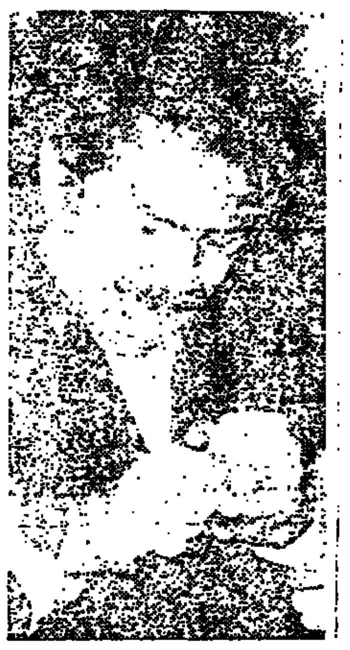
Italian police success

TURIN—Police have captured one of the most wanted men in Italy, suspected guerrilla leader Maurice Bignami (right) officials said yesterday. Sig. Bignami, 30, is believed to be the head of the "Front Line" group and is wanted in connection with at least four political murders.

Turin police refused to name a man shot and wounded as a four-member gang raided a jeweller's shop on Wednesday, but officials in Rome said there was no doubt it was Sig. Bignami.

Three gang members escaped but the man believed to be Sig. Bignami, who was firing a Sten gun and wearing a bullet-proof vest, was shot in the foot. Sig. Bignami is sought for questioning about the "Front Line" murders of Milan judges Sig. Emilio Alessandrini and Sig. Guido Galli in 1979 and 1980.

Reuter



Solidarity continues unofficial talks on regions

BY CHRISTOPHER BOBINSKI IN WARSAW

CONTACT between the Polish Government and Solidarity, the independent trade union, continued behind the scenes yesterday in Warsaw after a breakdown in talks between the authorities and regional branches in Bielsko Biala in the south and Jelenia Gora in the southwest.

In both areas the union is demanding the removal of local officials charged with corruption. The breakdown in talks came just before a Government decree stopping pay for workers on unofficial strike came into force yesterday.

The demands put forward in both regions are considered by the authorities to go beyond the aims of the union as set out in its statute and can, according to the decree, be treated as unofficial. The Government order published on Tuesday says 50 per cent of a workers' basic wage will be paid while he is on strike if the action is approved by the union, if seven days' notice was given to management and if the demands stayed within the scope of the union statutes. If these conditions are not fulfilled, then pay will be stopped.

In Bielsko Biala, 120 factories and institutions have been on strike for ten days, and the stoppage has hit production of the Polski Fiat 126 car and the textile and engineering industry. Yesterday's talks in Warsaw have produced a promise that Government negotiators will return to Bielsko, where Mr. Lech Walesa, the Solidarity leader, is helping the local union negotiators.

Meanwhile, in Jelenia Gora where a general strike was suspended after talks with the authorities started at the week-end, the union has threatened to call out the region on Monday if talks don't resume. In Przemysl, workers protested publicly to Warsaw about the decree on strike rules.

The hardening of the official position comes before an important meeting of the party central committee on Monday which is to be followed by a parliamentary session on Wednesday. The two meetings could bring a reshuffle within the authorities as the debate in the leadership on the policy to be followed towards Solidarity continues. Recent speeches by Mr. Stanislaw Kania, the party leader and Mr. Stefan Olszowski, an influential Politburo member, indicate that those who are arguing for no more concessions to the union are gaining the upper hand.

The demand for the removal of officials in Bielsko and Jelenia Gora have served to remind the party apparatus, which is wide open to similar charges of corruption, of the threat to their position which Solidarity represents. This adds credibility to the hardliners who are unhappy about the concessions Solidarity gained last week-end on access to the media and are against official recognition of Rural Solidarity, the private farmers' union.

To judge by the tone of Soviet and East European comments in recent days the Warsaw Pact is also nervous that the Polish authorities are about to give way on the farmers' union issue and this strengthens the hardliners' hand.

Bonn urges Warsaw to keep up coal supply

BY ROGER BOYES IN BONN

THE WEST GERMAN Government, increasingly worried by *the troubled state of the Polish* economy, has urged Warsaw against any further drastic drops in coal exports to Germany. The warning, though discreetly expressed, marks a significant hardening in Western tone towards Poland and the country's labour unrest.

Herr Martin Gruener, State Secretary in the Economics Ministry, said in a Parliamentary answer that Polish coal deliveries to Germany dropped by 19 per cent last year. In 1979 Poland headed the list of West German coal supplies, delivering some 2.4m tonnes, worth $115m (£49m).

The fear is that the abolition of the fourth shift in Polish mines and the introduction of *free Saturdays could* seriously hold back further growth in production of coal, which is Poland's major natural resource and an important earner of hard currency. West German experts believe that Polish coal production may reach only 135m tonnes this year some 10m below 1980.

The implication of Herr Gruener's remarks is that economic necessity is forcing adjustment of the Western attitude of benevolent neutrality towards the situation in Poland. Even so, the West has to tread carefully for fear of seeming to take sides between the Polish government and the workers.

Bonn's worries have a national and a global origin. West Germany needs to import more coal—it can produce little more than 90m tonnes annually itself—and Poland is in some ways the preferred supplier, if only because transport costs are cheaper. Bonn guaranteed DM 400m of a DM 1.2bn bank loan to Poland last year on condition that Poland stepped up coal deliveries from 1986.

But if Poland is now faced with a steady decline in production, this will then hit the confidence of banks and Government bodies involved in lending to Warsaw. With Polish borrowings estimated at $24bn and at least 70 per cent of its foreign exchange earnings going towards meeting interest payments, German banking confidence in Poland is already extremely low.

Thus Herr Manfred Sander, head of the Foreign division of the Bank Fuer Gemeinwirtschaft, stressed in a speech yesterday that Poland was the prime risk area for German lenders at present.

The problem with even a mildly-expressed warning to Warsaw is that it could rebound on the West. Herr Gruener indicated, for example, that Poland could seek to buy more coal on the world markets in order to honour its export commitments. While this would certainly help to maintain Poland's credibility as a trading partner, it could well compound Warsaw's balance of payments difficulties.

Mr. Witold Rosnowski, chief of Poland's coal and coke exporting enterprise, Weglokoks, said earlier this week that planned Polish coal exports this year would reach about 24m tonnes, almost 15m tonnes less than contract obligations.

Reagan suffers from 'childish ailment'

By David Satter in Moscow

PRAVDA, the Communist Party newspaper, yesterday said that Mr. Ronald Reagan, the U.S. President, was suffering from "childish ailments," associated with newly-acquired power.

In an unusually strong attack on a new U.S. President, Pravda acknowledged that Soviet morality differs from that of the U.S., but the newspaper said that the two nations can still work together. It accused Mr. Reagan of befogging world problems with reasoning from the Middle Ages.

Pravda said that as atheists, communists had a different view of morality from believers but it was impossible to guess which "stars" Mr. Reagan read to divine a Soviet drive for world domination.

"In contrast to the leaders of the U.S., we do not pray to weaponry as though it were a holy icon and reject the policy of force because we believe in the values, the creative potential and the justice of socialism."

The newspaper said that "almost every new President suffers from childhood ailments of power and one of the symptoms is a rejection of the objective experience of previous developments."

Pravda did not quote Mr. Reagan's remarks that Soviet leaders were prepared to cheat and lie to achieve their ends, but it accused Mr. Reagan of seeking to justify a U.S. claim to world leadership by saying Moscow wanted to rule a world system of Communist states.

This assertion reflected the U.S. view that "everything that is good for the United States must be good for everyone else. In Washington, they see this credo as highly moral and one which justifies any act in advance."

Herr Helmet Schmidt, left, at the start of his talks in Paris yesterday with M. Valery Giscard d'Estaing. The two leaders worked out a joint approach to international problems in the light of East-West tension and the new U.S. administration

King counters Basque hostility

BY OUR MADRID CORRESPONDENT

KING JUAN CARLOS yesterday ended his three-day visit to the Basque country, the most politically sensitive regional tour of his five-year reign. Despite the incidents on Wednesday in the Basque assembly hall at Guernica, when militant politicians heckled the King, the visit is being treated as a major success.

The visit was the King's first, and broke through a major psychological barrier that has *hindered the development of* smooth relations between Madrid and the Basque country. It has cast aside the Basque feeling that the Central Government is oblivious to Basque culture, political innstitutions and people's aspirations.

No Spanish Head of State could have gone much further than King Juan Carlos when on Wednesday he paid homage to the Basques in the Assembly Hall at Guernica—the place where Spanish kings as early as 1371 received the loyalty of the Basque people, and the town *which was devastated by* Francoist bombing during the Civil War.

The incidents provoked by members of the leftist grouping Herri Batasuna in Guernica on Wednesday were the biggest frontal insult the King has experienced, but they were not unexpected and the King even had a special not ready to insert in his speech.

The incidents have served to heighten the stature of the King at a delicate moment when, seeking to select a new Premier to replace Sr. Adolfo Suarez, *he is acting at the limits of his* constitutional power.

Fears for unity in Spanish party

BY ROBERT GRAHAM IN MADRID

THE MUCH-POSTPONED second congress of Spain's ruling centre right party, Union de Centro Democratico (UCD), opens tomorrow in Palma, Majorca, and faces a crucial test of unity. The principal task for the 3,000 delegates over the next three days will be to choose a candidate to replace Sr. Adolfo Suarez as party leader. The candidate almost certainly will then become Spain's next Prime Minister, following Sr. Suarez's unexpected resignation on January 29.

The 35-man executive of the party has proposed that the outgoing Deputy Premier in charge of economic affairs, Sr. Leopoldo Calvo Sotelo, should succeed to the leadership. This choice was rejected by seven members, who have recently formed an opposition group

This so called "critical" sector of the party represents the right wing Catholic element and believes that Sr. Suarez has led UCD too far away from its true electoral base, in conservative, middle class, Spain.

They have also sought to bend the party to their mould, claiming to speak for a majority of the 166 UCD deputies in Parliament—the chief proponents being the Speaker of the House, Sr. Landellino Lavilla and Sr. Miguel Herrero, Chief Whip.

If this group gains more power within UCD, then the *party will move to the Right,* perhaps sharply so, identifying with the banking and business establishment, the Church and the armed forces.

Romania fails to reach targets

By Paul Lendvai in Vienna

ROMANIA, WHICH on paper has regularly planned for the fastest rates of economic growth in Comecon, registered major shortfalls on plan targets over the past five-year plan period. According to the comprehensive planning report on the 1976-1980 plan just published in Bucharest, national income rose by 41.5 per cent against the target range of 61 to 68 per cent.

Western economists, however, have long been sceptical of Romanian growth statistics, which frequently fail to match up with on-the-spot evidence of low living standards, low productivity and delays in bringing on stream new investment.

According to the official report, the accumulated visible trade deficit amounted to 15.3bn lei over the five-year period. This is equivalent to £547m at the tourist rate of exchange, or £1.4bn at the commercial rate.

Original agricultural targets for the five-year period called for a 28 to 44 per cent increase in farm output. The official plan achievement figure was 26 per cent growth. But official output figures for 1980 reveal that meat output last year was 911,000 tons against the planned 1.3m to 1.4m tons, while the number of cattle was put at 6.5m head against 7.5m planned.

Grain production reached 20.1m tons against the 26m tons target. In the key energy sector, crude oil output was 11.5m tons against the 15.5m tons planned, coal output was over 20m tons below target at 35m tons and electricity output totalled 67bn kWh instead of the planned 78bn. Steel production *was 13.1m tons instead* of the 16/17.3m tons planned. Only natural gas at 28.2bn cubic metres was above the 26.8bn cubic metre target.

Russian engineer in mental hospital

By David Satter in Moscow

MR. ALEXEI NIKITIN, an engineer from Donetsk who met Western journalists in December to discuss conditions in the Donetsk coal mines, has been taken to a psychiatric hospital for the criminally insane in Dnepropetrovsk, it was learned yesterday.

Mr. Nikitin, who worked as a mining engineer at the Butovka-Donetsk coal mine until he was sacked for leading a workers' protest, was said to have been moved to the hospital on January 6.

His meeting with myself and Mr. Kevin Klose, Moscow correspondent of the Washington Post, took place between December 5 and 9. Conditions in the Donetsk mines and the reaction of Soviet workers to events in Poland were discussed.

Mr. Nikitin was said to have been seized at his home on December 12, three days after Mr. Klose and I left Donetsk. He was taken to Donetsk psychiatric hospital No. 2, and given a series of injections which induced a high temperature. He was then taken to the Donetsk prison.

On January 6 he was taken from the prison to the special psychiatric hospital, one of 13 hospitals in the Soviet Union for mentally ill people considered a danger to society.

Mr. Nikitin had previously been incarcerated in Dnepropetrovsk from 1972 to 1976 and from 1977 to 1980. After the end of his second incarceration last year, he was examined by Mr. Anatoly Koryagin, a Kharkov psychiatrist, who pronounced him sane.

Mr. Koryagin, described Mr. Nikitin as a psychologically healthy person with a set of typically Russian personality traits.

He said that Mr. Nikitin showed no symptoms of schizophrenia, which normally is accompanied by a lowering of the patient's level of activity or by paranoia, although he did have a negative attitude

'Own goal' hampers West Germany's attack on the housing shortage

BY STEWART FLEMING IN FRANKFURT

IN 1980, for the second consecutive year, new house construction in West Germany limped along at its lowest level for a generation. And as the German economy groans under the burden of high interest rates and rising unemployment there is little prospect of an early recovery this year.

The condition of the housing market, particularly in some key big cities is already emerging as another political problem for the Government in Bonn—not least because one of those cities is West Berlin. A political scandal has erupted there over loan guarantees to a local construction firm, which has shaken the ruling Social Democrat and Free Democrat coalition.

Last weekend saw more violent clashes between police and demonstrators supporting the illegal occupation of empty apartment buildings in Berlin as a protest against property speculation.

But the discontent has spread far beyond the ranks of student activists. In Bonn, lobbyists for the building business stand close to the head of the queue of industry representatives demanding new life in the economy through Government support or changed policies

In some bigger cities public officials gaze distractedly at lengthening waiting lists for state-subsidised accommodation on the one hand and at budgets squeezed by political pressures to curb public spending on the other. Some are beginning to talk of a housing emergency.

countries, housing is a highly charged political issue in Germany, the more so since wartime destruction required a massive investment of resources in the housing sector. Almost half the national housing stock of some 24m units has been built since the war.

Political sensitivities over the housing situation are all the more delicate however, because of claims that the Government itself made things worse with tenant protection legislation passed in 1974.

While many in the country might agree that extra tenant protection was needed, there is a growing body of opinion suggesting that the 1974 laws went too far. As Herr Albrecht Bock, a Frankfurt estate agent puts it: "The legislators scored an own goal."

In some respects the effects of legislation passed in Bonn bear an uncanny resemblance to the impact of the British Rent Acts.

Broadly speaking, the new laws made it much more difficult for landlords either to raise their tenants' rents or give them notice to quit. Some businessmen maintain that in many cases it is now virtually impossible to increase the rent for a tenant in an older house without the tenant's agreement. The legal procedure is cumbersome, requiring for example the provision of detailed information about rents in "comparable" buildings, and can take up to two years to pursue without, of course, any guarantee of success. To evict a tenant also requires the landlord to meet specific and narrow conditions.

Certainly the desire to increase a tenant's rent is not an adequate reason for eviction.

The result is that for older accommodation with an existing tenant, rental increases are hard to obtain and rents are therefore low. Naturally, tenants in this accommodation try to hang onto it, which tends to restrict the availability of rented accommodation and drive up the market price of apartments or houses coming on to the market.

The problem is compounded by the fact that building and land costs have been surging ahead. Faced with these rising costs and the danger of being unable to raise rents to cover future cost increases, the enthusiasm for building homes for rent has waned.

Housing starts in Germany hit their post-war peak in 1973 when about 714,000 new dwellings were built. Some 60 per cent of these were in multi-family buildings and only 40 per cent were single-family homes. Subsequently, not only has the overall number of new starts declined sharply—probably to *less than 400,000 in each* of the past two years—but most of the decline has hit flats and apartments, the sector which normally provides most rented homes.

West Deutsche Landesbank has estimated that in contrast to the 61 per cent of dwellings built in 1973 in apartment blocks (411,000), the proportion fell to only 29 per cent (97,000) in 1979. Tightening public budgets have contributed to the slide. Government figures show that the number of homes built for occupation by low-income families fell from 119,000 to 40,000 between 1973 and 1978. There was a similarly sharp fall in the number of homes built with subsidised public finance.

Whether the current situation adds up to a housing crisis or not depends to some extent on your point of view. Overall, "crisis" is probably too strong a word since the number of dwellings is roughly in balance with the number of households. On the other hand, the balance is fine, and, coupled with the inflexibility in the market, it almost certainly impedes labour mobility, and makes for serious housing shortages in a number of big cities.

So severe is the problem in places like Frankfurt or Munich that families regularly resort to offering rewards of up to £1,000 to anybody who can help them find accommodation to rent.

Looking ahead, the stickiness in the housing market raises other dangers. In the past few years house prices have been rising sharply and soaking up an increased proportion of the national credit supply. At the beginning of 1980, for example, the German estate agents' trade association estimated that the *average price for a detached* 125-sq-m house in Dortmund was DM 340,000, in Munich DM 450,000 and in Frankfurt between DM 350,000 and DM 450,000. In 1974 the figures were: Munich DM 260,000, Frankfurt DM 300,000 and Dortmund DM 180,000—and this in a country which has enjoyed the lowest rate of inflation of all the major industrialised countries.

The growing emphasis on construction of single-family homes, to the extent that it increases the supply, may help to ease this pressure. But at the moment, with the level of supply of new homes low and Germans increasingly aware of the rising cost of a house, the danger is increasing of the housing market becoming a focus for inflationary expectations.

Bundesbank silent on credit policy

BY OUR FRANKFURT CORRESPONDENT

DR. HERBERT GIERSCH, President of the Kiel Institute, one of the five leading West German economic institutes, warned yesterday that a recession as deep as 1974-75 could not be ruled out.

The warning came as the Bundesbank, which earlier this week tightened its monetary policy by draining liquidity from the money markets, announced no new credit policy decisions following its regular council meeting.

Later the Government disclosed that new order figures for manufacturing industry rose a modest 2 per cent in December compared with November, in spite of a 5 per cent decline in orders from abroad. In comparison with the September and October 1980 orders, November and December's figures are 1 per cent down. The decline compared with a year ago is 6 per cent.

The Bundesbank council met against the background of a weakening domestic economy and a currency under heavy fire for the past two weeks. Its decision to stick with a monetary policy which is being fiercely attacked is bound to spark renewed demands for Government action to stimulate the economy.

However, had the Bundesbank lowered its administered interest rates after discreetly putting upward pressure on money market rates earlier in the week to help the Deutsche Mark, it could well have put renewed pressure on the German currency in the foreign exchange markets.

After the meeting, and a warning from Mr. Paul Volcker, the U.S. Federal Reserve chairman, that no sharp fall in the U.S. interest rates could be expected, the Deutsche Mark weakened slightly again.

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هكذا في الأصل

Saudis deny 'arms supply to Iraq'

BY PATRICK COCKBURN

SAUDI ARABIA yesterday denied Western intelligence reports that it has supplied arms to Iraq to help it in its war against Iran, but was contradicted by Washington.

Prince Sultan Ibn Abdulaziz, the Saudi Defence Minister, though not specifically denying that Saudi Arabia has allowed up to 100 Soviet type T54 and T55 tanks to pass through its territory to Iraq, said all such reports were lies serving the aims of those who wanted the war to continue.

Nevertheless, officials in Washington said yesterday that about 100 T-55 tanks from Poland were sent to Iraq via Saudi Arabia in a series of shipments beginning in mid-December. An official said the Saudis chose to regard the tank shipments as "just a business deal" between Iraq and an East European supplier.

The T-55 is by no means an obsolete tank according to experts on Soviet armour and has the additional advantage that it is easy to maintain. It is still manufactured in Poland and the Polish army is currently phasing out T-55s from its army and replacing them with more modern T-72s. It is possible that former Polish army tanks are being passed on to Iraq.

The Soviet Union still has about 15,000 T-55 tanks in use with its second line units, although its front line divisions use more modern tanks. Assuming that the Soviet Union is aware that Poland is supplying Iraq it is likely that Moscow did not want to be seen to be directly aiding Iraq in order to avoid offending Iran.

U.S. officials also confirm that East European countries have been supplying arms and ammunition to Iran for months. They are being delivered mainly through the Gulf states because Jordan refused to allow its port of Aqaba to be used for most military supplies.

Non-aligned team will try to end Gulf war

NEW DELHI — A goodwill mission of Islamic leaders, most of them members of the non-aligned movement, will visit Iran later this month to try to end the Gulf war, diplomats said here yesterday.

Iran gave its permission for the visit during talks with Mr. Agha Shahi, Pakistan's Foreign Minister, in Tehran this week, they said.

Mr. Shahi, an envoy of the Islamic Conference Organisation, whose leaders met in Saudi Arabia last month, left Iran for Pakistan on Wednesday and will attend next week's non-aligned Foreign Ministers' conference in New Delhi.

The diplomats, who are taking part in preparatory talks for the conference, said the visit to Tehran was expected to take place on or near February 27 and would probably be followed by talks with the Iraqi Government in Baghdad.

The size of the delegation has given rise to conflicting reports, but the diplomats said it would include the heads of Government of Pakistan, Bangladesh, Indonesia, Guinea and Senegal.

It was unclear whether Iran had accepted the inclusion of Turkey, Iraq's western neighbour in the delegation, the diplomats added, but Mr. Habib Chatty, Secretary General of the Islamic group, was expected to be a member of the mission.

News of Iran's decision coincided with Indian efforts to give the non-aligned movement a stronger role in mediating between Iran and Iraq who are members of the movement, and will be attending the Foreign Ministers' conference.

Reuter

Arab states agree council

BY RICHARD JOHNS IN JEDDAH

THE SIX traditional Arab States of the Gulf, led by Saudi Arabia, are to establish a Council for Cooperation with its own permanent secretariat.

The decision was the outcome of a meeting held in Riyadh on Wednesday, attended by the Foreign Ministers of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman.

The agreement is understood to be aimed at close collaboration in political, economic and social affairs. Based on a Kuwaiti working paper presented during last week's Islamic summit conference in Taif, the plan also embraces security, both in its external and internal aspects.

But for the moment, integrated military co-ordination and a joint command are not being actively considered.

Asked if Oman had put forward proposals for a joint Gulf force to protect the Straits of Hormuz, Mr. Qais Zawawi, Omani Minister of State, was quoted here as saying: "Let us not put the cart before the horse."

Further meetings have been scheduled for February 28 in Riyadh and March 4 in Muscat to work out in finer detail the structure of the proposed Council.

A summit meeting has been set for March 28 in the Omani capital to approve the proposals drawn up.

Egypt savours new wealth from oil

BY ANTHONY McDERMOTT IN CAIRO

SUCCESSIVE Egyptian governments have over the years expounded ambitious schemes for putting the nation's economy to rights. Too often these schemes have collapsed in a welter of unfulfilled promises. However, Egypt has now been given an unprecedented chance to transform its economy, but only if it uses its newly-gained balance of payments strength wisely, and does not succumb to the temptation of short-term political gain.

This was the general conclusion of participants at a two day conference last month of Egypt's aid donors in Aswan.

The setting was held by many to be symbolic of the optimism on the Egyptian side after the dramatic recovery of its external payments during the past year or so. The veranda of the old Cataract Hotel, the conference venue, overlooks the rocky end of Elephantine Island in the Nile. Lateen-sailed feluccas glide by. It was the first time that Egypt had played host, for the three previous meetings have been held in Paris under the auspices of the World Bank.

Dr. Abdel-Razzaq Abdel-Meguid, the deputy prime minister in charge of the economy, assembled 11 ministers for the occasion, and they proved more confident on their home ground. Previously there had been an air of ministers having to go cap-in-hand to Paris to explain to the world why Egypt was still worth helping out.

To some extent the roles have been reversed. Last year was a record for oil earnings and workers' remittances, producing a considerable balance-of-payments surplus and rise in foreign currency reserves. Thus Dr. Abdel-Meguid felt able to welcome the World Bank, the IMF and representatives of the 12 western countries as equals and not as heath inspectors from whom a clean bill of health was required before others would come into contact.

But while the participants genuinely welcomed the turnaround in Egypt's external payments, they delivered in public statements to the conference, and more forcibly in private, a serious warning. Its theme was that Egypt's surplus should not be used to buy short-term political peace during the next few months when little progress can be expected in Middle East negotiations. Rather it should be used for a fundamental restructuring of the economy to develop such areas as agriculture and industry which are not directly linked to the current main contributors to the balance of payments.

Dr. Abdel-Razzaq Abdel-Meguid (left), Deputy Prime Minister in charge of the economy, is using Egypt's newly-acquired prosperity to shake up the existing economic structure. But there are real dangers of the country slipping back if oil money is turned only to short-term use.

Two main points should be made about the management of Egypt's economy since Dr. Abdel-Meguid took over in May of last year. The first is that much of the improvement would have occurred whoever was in charge. The rise in oil prices caused a leap in foreign exchange earnings from US$1.8bn in 1979 to US$2.9bn last year. Increasing confidence in the "open door policy," now six years old, has encouraged workers abroad to increase their remittances from $2.2bn to $2.8bn, although this remains an underestimate of what actually comes into the country. Ironically, most of the money comes from Arab countries boycotting Egypt for its peace treaty with Israel. Additional balance of payments strength comes from earnings from the Suez Canal and tourism, both up last year by 14 per cent to about $700m each. In consequence, what was in 1974 a payments deficit of $1.4bn became a surplus of $1.5bn last year. Foreign currency reserves doubled in 1980 to reach over $1bn—the equivalent of two months' imports.

Thanks to the efforts of Dr. Abdel-Moneim Qaissouni, who held Dr. Abdel-Meguid's position in 1977, debts have been rescheduled so that even if they now total $12.6bn, the debt service ratio is a manageable 20 per cent, a third down on the crippling rates in the mid-1970s. In short, Egypt has left behind the desperate days of concluding short-term loans to pay off longer term ones.

The second aspect of Dr. Abdel-Meguid's tenure has been a mass of legislation ranging from reorganisation of the public sector, to tax reform and customs dues. Four new national and international financial institutions are being formed of which potentially the most significant will be the national investment bank, aimed at being a permanent conduit of investment, unaffected by annual budgetary allocations.

Not all Dr. Abdel-Meguid's measures have been free of confusion, affecting in particular external trade and the foreign banking community, which now numbers 93 banks and representative offices. But the point is that Dr. Abdel-Meguid is trying to use the newly-acquired breathing space to shake up the existing economic structure.

The largest domestically-generated source of income is oil. Last year several records were established. Production averaged 650,000 barrels/day, and in the last months 700,000 b/d were sustained. The price of Egypt's Prime Morgan blend of crude was raised to $40.50 a barrel from the beginning of the this year, and yet there were 113 applications for the 120,000 b/d available for export, after the government, local consumers, the oil companies and Israel (with 40,000 b/d the largest customer) had taken their shares.

Lured by Egypt's generous production sharing contracts, foreign oil companies have been streaming in. Last year a record number of 35 contracts were signed, with commitments of $877m for exploration and development. And until companies relinquish concessions (as they must under contract terms), there are no concessions now to be had in the Gulf of Suez, where three-quarters of Egypt's oil is produced.

It might seem churlish to express reservations about Egypt's economy when after years of drifting along like a waterlogged boat, it appears to be entering a period when it has the chance of righting itself. But observers are still deeply concerned by several domestic factors. First, on the oil front it is reckoned that unless major finds are made (and this seems unlikely), Egypt's exportable surplus will be progressively eroded by domestic consumption, which totalled 300,000 b/d last year and is rising by up to 15 per cent a year.

At current estimates oil earnings could flatten out at $3.5bn. Second, imports, which totalled $8bn last year are rising at over 15 per cent and could well increase further as the government tries to feed a population now totalling 42.2m people and growing by the horrendous rate of 2.9 per cent a year.

Third, one legacy of the more centralised economy of Nasser's days has been acute price distortions resulting from subsidies on the main consumer items. These will cost $2.6bn in 1980-81 and will have to be curtailed, but not on the drastic scale which provoked the bread riots of January 1977. Fourth, although inflation, according to official figures is levelling out at about 19 per cent, it will have to be sharply curbed not least because of its affects on the competitiveness of manufacturing exports.

This leads into the most crucial aspect—the economy outside the big four foreign currency earners. Industrial and agricultural growth have been disappointingly low, and together are way below the overall GDP growth rate of between 8 and 9 per cent in real terms last year. Within this context, the major donors at the Aswan conference recommended that the public sector should be modified to make it more productive and competitive.

In particular, they felt that agricultural prices should be changed so that farmers grow food crops rather than berseem

DENG TIGHTENS GRIP ON CHINA'S ARMY

Dealing with disaffection

BY COLINA MACDOUGALL

DENG XIAOPING, China's paramount leader, has moved decisively to bring disaffected elements in the army back under his own control.

He has taken over the supervision of the party's crucial Military Affairs Commission, and has set up beneath it a new Discipline Inspection Commission. This will enforce civilian party policy in the Army's party structure.

The usually well-informed left-wing Hong Kong magazine Cheng Ming, in its February issue, reported that, following criticism at a Politburo meeting last November/December, Hua Guofeng had offered to resign from the Military Affairs Commission chairmanship as well as from the Party chairmanship.

The Politburo agreed to relieve Hua immediately of his routine duties, Cheng Ming said. It nominated Deng to "supervise" the Military Affairs Commission and his protégé Hu Yaobang to "supervise" work of the Central Committee.

It took a further decision to propose to the forthcoming Plenary Session of the Central Committee (now expected in March) that Hua be officially relieved of his chairmanship post, and Deng and Hu be appointed to them.

The new Discipline Inspection Commission, which, according to the Xinhua news agency, held its first meeting last month, is probably modelled on the civilian party's commission of the same name. That is a key control body which reviews party members' credentials and enforces party policy.

Deng has acted against the background of growing restlessness in the army following the pressure on Hua to resign, the trial of the Gang of Four, and

the apparent failure of the new economic policies.

Hua was believed to have support among the more radical military men who opposed the denigration of the nation's founding father, Chairman Mao, and feared the effects of Deng's more liberal policies.

At present, it is possibly in the interests of the Peking leadership to exaggerate the degree of disaffection so as to clamp down tightly on all forms of dissident. Nevertheless, it is customary for the Chinese to reveal only a hint of their real problems.

While there is therefore some difficulty in assessing how bad things really are, there is no doubt that Deng views the army as a hotbed of trouble, and has moved sharply to quell it.

Hua made his one public bid for support at an army political conference last year. On that occasion, he defined the test of good economic work as good political attitude, and not, as Deng and his economist allies would have it, successful results.

By contrast, at the latest army political conference which closed last weekend, it was Deng's candidate for the party chairmanship, Hu Yaobang, who made the key speech.

Hu expounded the "correct evaluation" of the domestic situation and emphasised the commanding role of the nation's Communist party.

Numerous factors have combined to unsettle the army. Since Mao's death in 1976, and indeed since the Cultural Revolution, it has lost influence. Last week, a new cut in military spending was announced. Though no figures were officially published, Premier Zhao Ziyang was earlier reported to have said it would amount to $650m (£270m).

This reduction followed a cut in last year's budget which had already upset military commanders. Their resentment was aggravated by the feeling that Deng's economic policies which made the cuts necessary were ill-advised.

The fall of Hua also puts at risk the posts of officers who were promoted, like himself, as a result of the Cultural Revolution.

Reagan's debt increase proposal angers party

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT REAGAN faces an early test of his ability to get economic measures through Congress with his proposed $50bn (£21.7bn) increase in the Federal debt ceiling to $985bn which is severely straining the loyalty of his own Republican party.

After action in the House the Senate vote is expected to come today in the Senate. Cabinet officers and Mr. Reagan in an unusual personal appearance this week on Capitol Hill, have lobbied hard for the debt level rise raised before the $935bn ... Davis ... some time this ... the Government can ... traditionally borrow to pay its bills. Subsidiarity of this is ... passing both to an and trade ... pledged to cut difficulty ... meaningful ... used for ...

Government credit demands and to many Republican Congressmen who have made a virtual career of opposing debt increases under past Democratic Administrations.

For Mr. David Stockman, for instance, the shoe is now on his other foot and pinching. In his six years as a Congressman, he always voted against debt increases. Now, as Budget Director, he is reluctantly in favour.

The Democrats, delighted to see Republicans squirm under their new responsibility of controlling the White House and Senate, are not letting their opponents off the hook lightly. The debt increase has passed committees in both houses, but Democratic leaders have threatened not to field their troops for the measure unless a majority of Republicans also vote in favour.

Resolution of the debt issue will provide a pointer to how smoothly the President will get through Congress the tax and spending cut package he is due to deliver on February 18. It is also a reminder that further debt increases are probably on the way, if the Reagan Administration presses ahead with cuts in taxes faster than in spending as it apparently plans.

But the Administration is also preparing the ground on which its spending axe will fall. A preliminary White House list of suggested Budget reductions in 1980-81 and 1981-82 has been circulated around Capitol Hill.

President Reagan . . . an early test

It proposes severe cuts in unemployment compensation and food stamps for the poor, paring back energy and space programmes, cutting the post office subsidy and slashing aid to the arts.

Hardliner mooted for human rights post

By Jurek Martin, U.S. Editor, in Washington

THE REAGAN Administration's commitment to international human rights, already more qualified than under President Carter, may be even further diluted if a strongly rumoured State Department appointment goes through.

It is that of Mr. Ernest W. Lefever, an ultra-conservative whose global vision is circumscribed by the need to combat the Communist threat, to be head of the departmental bureau responsible for human rights and humanitarian issues.

If it is made, it will be widely seen as a concession by Mr. Alexander Haig, the Secretary of State, to Senator Jesse Helms from North Carolina, who has criticised the generally moderate tenor of many of the senior aides picked by Mr. Haig.

Mr. Haig has said that human rights will be accorded less priority by the new Administration. Consideration was even given to abolishing the human rights bureau, but this would have required Congressional approval.

The contrast between Mr. Lefever and President Carter's human rights advocate in the State Department, Ms. Patt Derian, could hardly be more stark. Ms. Derian, wife of Mr. Hodding Carter, the former State Department spokesman, fought mightily and with no mean success to promote the cause of human rights as an integral element in foreign policy.

Mr. Lefever believes that the U.S. should not offer criticism of the human rights policies of staunchly anti-Communist nations. He has conducted a running battle with the World Council of Churches over its humanitarian activities in the Third World on the grounds that this helps the Communist cause.

More recently, he had been in the thick of the controversy over the sale of the U.S. baby formula to nursing mothers in developing countries. In the Wall Street Journal, he attacked the proposed World Health Organisation code covering the sale of baby formula as a thinly disguised plot against multi-national companies being orchestrated by sinister anti-capitalist forces.

... mission paves way for Brazil talks

BY ... IN SAO PAULO

Speaking ... agers at a me... pean Manager ... Commissioner ... going to see ... of Commission ... permit certain ... dies. Brussels ... occupied "for ... British Govern... aid package for... is aimed at examination b... of the critic... —turned out ... maintain...

mission of the International Monetary ... to develop ... authorities and ... the visit of ... mission due in ... the ... criticism ... its ... the ... the

country among the international financial community, which will be asked to provide about $18bn in financing this year.

The mission consists of Mr. Alexandre Kafka, an executive director of the Fund and three economists. Foreign bankers expect them to raise a number of questions on the administration of the Brazilian economy this year, including the official criteria used to calculate the country's foreign currency reserves.

At the end of 1980, according to the government's calculation, these reserves stood at $6.9bn. However, this figure includes $1bn in export financing from abroad, which falls due within 12 months. By the Fund's calculations, this would not be included in foreign currency reserves.

Another area of expected criticism is government policy on interest rates. While it has formally freed them, the government undercuts this measure by continued subsidies for priority sectors, such as agriculture.

Foreign bankers also anticipate pressure from the Fund to speed devaluation of the cruzeiro, which stands at 69.1 to the dollar. If an overvalued currency leads to problems for exporters, the government would probably favour increased credit, as it did last year, or a reduction of the tax on financial transactions, which would improve exporters' cash flow.

However, neither of these measures would please the Fund, which traditionally prefers an exchange rate policy which keeps exports competitive.

Industrialists and bankers want the government to reaffirm that economic policy will not change abruptly this year.

Grain embargo likely to stay

BY OUR WASHINGTON STAFF

PRESIDENT REAGAN is reported to have been persuaded by Mr. Alexander Haig, his Secretary of State, that the time is not ripe to lift the partial grain embargo imposed a year ago on the Soviet Union by former President Jimmy Carter.

The White House insisted yesterday that no formal decision on the embargo has been taken. But the argument put to the Reagan Cabinet this week by Mr. Haig, that the U.S. should not make any unilateral concession to Moscow while Soviet troops remain in Afghanistan and around Poland, is believed to have been the main reason for postponing the decision.

Mr. Reagan's recent hardline rhetoric against the Soviet Union has indicated he might actually be leaning towards broadening the trade embargo. The U.S. farm lobby is still pressing for Mr. Reagan to stick to his campaign promise, and Mr. John Block, the Agriculture Secretary, has gone out on a public limb to call the grain embargo "the most ridiculous thing I ever heard of."

But Mr. Reagan can argue that political and economic factors have changed since he first took up cudgels with Mr. Carter on the grain issue. Not only is Poland still tense, but the Administration believes there is some evidence that the embargo has cost Moscow an extra $1bn in hard currency to buy grain supplies from elsewhere.

The prospect of higher prices this year—due to a world-wide shortage of feed grains—has led the Agriculture Department to estimate that grain exports in 1980 might rise to nearly $50bn.

Paris delays Japan's car deliveries on 'model' rule

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPANESE car exports to France are being held up as the result of what appears to be a deliberate delay in the issue of type-approval for 1981 models according to motor manufacturers.

The approval, which would normally have been due about three weeks ago, has resulted in a "pile-up" of some makes of Japanese cars at French ports. Their manufacturers report a "ripple effect" on their operations at home. In other words, cars that should normally have been shipped to France are being stockpiled.

The French Government's move is understood to form part of its drive to keep Japan's share of the French market at less than 3 per cent of total registrations. Japanese delegates to last week's "high level" Japan-EEC talks in Tokyo criticised France's behaviour and asked for an explanation of it but so far none has been forthcoming.

Companies affected by the delay in type approval include Toyo Kogyo whose highly successful Familia model was shown at last autumn's Paris motor show (under its European name of 323), and Daihatsu, whose low fuel-consuming Charade doubled its European sales last year. Toyo Kogyo says it has about 3,500 vehicles waiting for clearance through French ports, some of which have been held up for as long as three months.

Toyota and Nissan, the two largest Japanese makers, have delayed or diverted shipments of cars. But Toyota says that a shipment of 200 Landcruisers will shortly arrive in France and will not be able to pass through customs.

Japan is hoping for an explanation of the French "delaying tactics" by the time of the next European Council of Ministers meeting (February 16-17) at the latest.

If this is not forthcoming, a protest will almost certainly be made to the French Government.

Terry Dodsworth in Paris adds: M. Andre Giraud, the French Industry Minister, hit back at the Japanese complaints yesterday, saying it was the fault of the Japanese manufacturers themselves if they started to export vehicles in volume before the test models had been approved for the standards applied in the French market.

"For every 5 to 10 Japanese cars that have come into France, one Frenchman is out of a job for a year," he said. "It is quite understandable, therefore, that we do not consider it a priority to import Japanese vehicles."

M. Giraud's comments come at a time when France is stepping up pressure on its European partners to establish formal limits on Japanese car imports throughout Europe.

Within France itself, the Government made it clear several years ago, that Japanese cars would be allowed only 3 per cent of the market. So far the Japanese companies have not exceeded the target, although, for one or two months last year, they were running ahead of it.

The main French worry, however, is in other European markets, where the French manufacturers have been suffering from the present Japanese export drive.

EEC criticises Tokyo's tardiness

BY JOHN WYLES IN BRUSSELS

THE INADEQUACY of the Japanese Government's response to EEC demands for positive steps to improve its trade balance with Japan has been officially confirmed by the European Commission in a report to member States.

The report covers the extremely thin results of recent discussions between the Tokyo Government and an EEC delegation led by Sir Roy Denman, the Commission's director-general for external relations. In essence, the Commission appears depressed by Japan's unwillingness to negotiate a broadly based solution to the trade problem and fears it will push member States into further use of protectionist devices.

EEC Foreign Ministers are expected to discuss the report at their meeting in 10 days' time. For the moment, they are unlikely to take any further action beyond lamenting Japan's apparent reluctance to endorse a five-point programme they adopted last November.

This included a call for Japanese export restraint in sectors where continued growth would cause further problems for the EEC. It also urged an upward revaluation of the yen, the progressive elimination of Japanese restrictions on imports.

At more than $8bn (£3.4bn), (Japan's Customs clearance figures), the EEC's trade deficit with Japan last year was greater than that with the U.S. In its report, the Commission warns that trading difficulties are jeopardising the European-Japanese political relationship and says the EEC must continue to press Japan for improvements.

The Commission says it will closely monitor imports of motor cars, televisions and numerically controlled machine tools and will publish statistics for the first quarter as soon as they are available.

At the same time, it will set on the Council of Ministers' instruction to analyse, with the industries affected, the effects of the concentration of Japanese exports to the Community.

France beats Prestel in race for Brazil contract

BY GUY DE JONQUIERES

FRANCE has beaten Britain's Prestel viewdata system to the post in the race to sign up international markets by persuading Brazil to buy rival French technology.

The initial contract, for a market trial of the French "teletel" viewdata system, is believed to be worth about £1m and covers the supply of computer equipment and technology.

The eventual value of the order is likely to be much higher if Brazil decides to put the system into full public service.

Britain had hoped to win the order because Prestel had been recommended over the French system by Telesp, a leading Brazilian telecommunications company, which had been asked by the Government to select the technology for a market trial.

Telesp is understood to have preferred Prestel both on technical grounds and because it is the only viewdata system in public service anywhere in the world.

But Telesp's recommendation is believed to have been overruled by Sr. Joao Figueiredo, Brazil's President, who opted for the French system as part of a big reciprocal trade package concluded during his visit to Paris last week.

Italy ban lifted on UK-made Sony televisions

By Our World Trade Staff

A CONSIGNMENT of Sony colour television sets assembled in Britain, which had been held in Italian customs since before Christmas, has been released after intervention by the British Government.

Italy had blocked the sets until it received official guarantees that most of the components used in the sets were of EEC origin.

They were released after assurances were given by H.M. Customs headquarters in London.

The sets, worth an estimated £400,000, were confiscated at Domodossola Customs post when they arrived from Britain by road.

...ghnessy reports on Britain's "leaseback" proposal for the Falklands

...s seek new life

...than many English villages, it is ... small miracle that the islands ...pport a working society. They ...ut precariously. There is a ...ng school, a hospital, ... service, a policeman, ...an, Catholic and other ...us activities, the Falk... Islands Government Air ... (FIGAS), a broadcast... service, bunkering facili... supermarket, film shows, ...ry and all the machinery ...ple government atop a ...bly healthy economy. ...lklands Islands govern... as a budget surplus and ...on pounds or two on ... in London.

...te the scarcity of people, ...klanders have managed ...roduce many of the ...ristics of English ... life. The visitor to ...could well imagine him... some island off the ... coasts of Britain. Stanley houses look as ... they could have been ...d out of a terrace street ...lham. The more affluent ... are reminiscent, behind ...ir hedges, of Orpington.

The town hall is mock Tudor ... the pubs, with their British ...ing hours, are snug and ...ndly. A half familiar, half ...ic touch is given to the ...ge by the maroon London cab with crowns on its ...er plates which is the Governor's vehicle. The turbulent politics of Argentina seem tens of thousands of miles away.

Few English villages could boast of so many services, or so much cash in the bank. But Falklands society does not survive without very severe strains on the workforce, and many islanders have two jobs. Some manual workers are recruited from Chile, but in past years there have been signs that the strains have been getting too severe.

Emigration, particularly of young people, has slowly increased as people abandon the lonely farms or quit the village of Stanley for wider opportunities overseas. If one or two hundred more were to leave there is no doubt that the Falklands would cease to be a viable society, at least as Falklanders have traditionally known it.

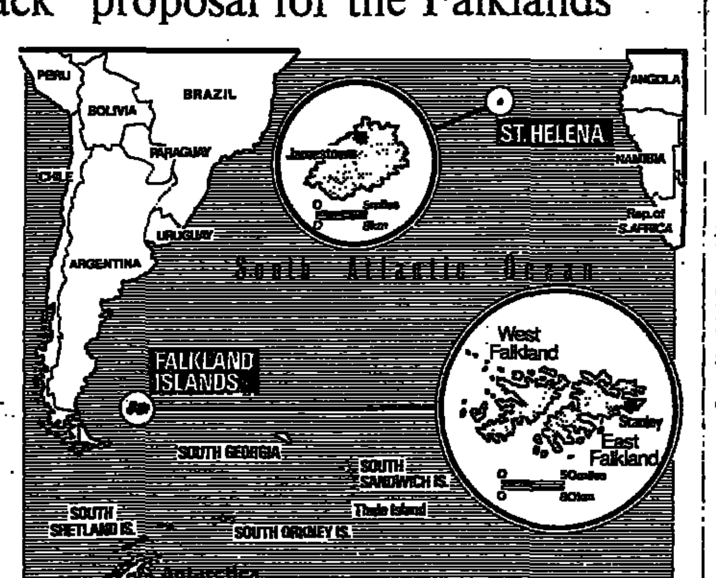
For that reason the Falkland Islands Government has been looking into the possibility of bringing in workers from St. Helena, far to the north-east, which has an excess of people. Though there are only 5,000 St. Helenians, many of them have no work and are on the dole.

The migration plans provoked the Argentine protest at a *moment when the British* Government was looking towards a final solution to the quarrel over the islands. When Mr. Nicholas Ridley—the Foreign and Commonwealth Office Junior Minister responsible for the area—visited Stanley in November, he presented the islanders *inter alia* with the idea of a "Hong Kong solution," under which Britain would cede titular sovereignty to Argentina and take a very long lease on the islands, comparable to that governing the New Territories of Hong Kong.

Such a solution is seen in London as capable of exorcising the nightmare of maintaining a credible defence capability in the islands against Argentina, which could become increasingly hostile in the absence of any negotiated settlement.

Whichever way one looks, the question of population is central to the future of the territory. If emigration continues there could be no viable Falklands society for Britain to negotiate over with Argentina.

The effects of hundreds of new immigrants could be as disruptive of the traditional patterns of Falklands life as any flight of emigrants.



Bob Hutchison

Anti-fraud accord nearly ready

BY PAUL CHEESERIGHT

AN INTERNATIONAL agreement to counter industrial fraud is in the final stages of drafting and should be signed soon by the U.S., EEC, Japan, Canada, Australia and New Zealand.

The signatories will then take this new agreement aimed at preventing countries like Taiwan from making profits by imitating industrial goods and using trade-marks fraudulently, to the General Agreement on Tariffs and Trade (GATT) in Geneva in the hope it will become a fully-fledged international code.

The agreement will permit the owners of trade-marks, who have evidence their trade-marks are being fraudulently reproduced, to approach national authorities and have imports seized and disposed of outside the normal channels of commerce.

But the efficacy of the agreement will depend on the diplomatic skills of the signatories in winning acceptance for its application among developing countries, most of which have been reluctant to join the GATT.

A new code along these lines was first suggested by the U.S. and the EEC during the latter stages of the Tokyo Round multilateral trade negotiations in 1978-79. But the matter was not pursued at that time and has since become the subject of individual discussion.

Yesterday, Mr. Cecil Parkinson, the Minister for Trade, speaking at Davos in Switzerland, again singled out Taiwan for attack, saying that it could not be treated as a respectable member of the international trading community "as long as this menace is allowed to continue."

The Taiwanese authorities last month sought to assure visiting British MPs that an effort was being made to stamp out the production of counterfeit goods, but Mr. Parkinson *noted that pressure on Taiwan* would be maintained until the practice ceases.

...th, in Tokyo, looks at a comprehensive report on how to break into the world's second-largest consumer market

...of whatever makes life interesting for the Japanese

...the condition of the housing market, particularly in some key big cities is already emerging as another political problem for the Government in Bonn—not least because one of those cities is West Berlin. A political scandal has erupted there over loan guarantees to a local construction firm, which has shaken the ruling Social Democrat and Free Democrat coalition.

Last week ... leading Securi... violent cla... and deme... the illeg... sporters guides in ... apprim... es not merely survey ... as a ... arket sectors or offer ... speci... "do's and don'ts." ... B... it achieves is to paint a fa... ...re of the living conditions ... at affect purchasing patterns ... the world's second largest consumer market. The impression conveyed by the analysis is that Japan is changing much faster than most Western countries and that both opportunities and problems awaiting the ... the exporter are greater ... he might expect to find in ... ch... Ge...

... biggest problem of ... the daily life, and the one ... which Nomura starts its ... of what lies behind ... consumer behaviour, is over... Population density in ... as a whole is slightly ... than in the UK (306 ... to the square kilometre compared with 228 in Britain).

But the limited amount of land that is available for human use in the mountaineous Japanese islands means that "effective" density is much higher. Tokyo has a population density of 13,462 people to the kilometre compared with Greater London's 4,463. Tokyo commuter trains accordingly carry two-and-a-half times their rated capacity at rush hours while the busiest Tokyo railway station handles 2m people on weekdays.

Nomura's second point is that the Japanese, as a nation, are ageing at an unprecedented rate for any major advanced country. This reflects success in reducing the birth rate and extending life expectation, but nevertheless this is causing new problems. One is that uncomfortable questions are being raised about job opportunities for the elderly and about the capacity of the old age pension system to meet its obligations. Another consequence is that the "silver" (old people's) market could be one of the fastest expanding sections of the consumer market in the next decade.

Two other major, and related, *trends which the book outlines* are the increasing amount of leisure available to Japanese workers and the growing quest of consumers for variety.

The latter point is symbolised by NRI's chart of status-symbols over the past three decades (starting with the electric iron in 1950 and culminating with pleasure boats, second cars and weekend houses in the 1980s).

The leisure boom results from the gradual decline of the six-day working week (still the norm for most Tokyo workers in the mid-70s) and an approximation to Western working hours.

Leisure activities as Nomura shows, would seem to be exploding in all directions in the Japan of the early 1980s. Ownership of pleasure boats, for example, is expected to reach 1m by 1990, creating a demand for new port facilities that would equal all the port capacity built in Japan since 1870. However, Nomura utters a warning about such trends. The leisure boom could collide with space limitations forcing up prices and sending consumers back to work to earn still more money to pay for ever more costly diversions.

Nomura's assessment of what the Japanese are likely to want from their consumer goods industries over the next few years follows naturally from its analysis of social conditions. Goods which "rationalise" home life, such as labour-saving kitchen equipment or "modular" (not large-sized Western) furniture, will be in demand. So will a large variety of services which offer to make people's lives more interesting.

Whisky drinkers (now accounting for 11 per cent of the population) will become steadily more numerous and will increase their intake. The coffee boom will continue until it shows signs of overhauling the traditional preference for tea.

How to take advantage of *these and other trends?* The answer, says Nomura, depends on what kind of consumer goods you are trying to sell (because distribution channels will vary accordingly). Information on the precise routes to be taken through the maize-like Japanese distribution system is ample and explicit but once again there is a warning: in several industries, such as cosmetics and electronics, major Japanese manufacturers have organised chains of "tied" retailers who sell chiefly or exclusively the products of their manufacturing principals and who are not available to handle foreign goods.

Anyone who hoped to find a simple key to the puzzle of how to sell to Japan will be disappointed by the voluminous and detailed Nomura study. The book will not disappoint those who believe that carrying out a thorough grass roots investigation is a precondition for selling anything in a country as complex as Japan. It could even entertain armchair exporters who would like to know more about what is clearly a fast changing and dynamic society.

The Consumer in Japan, by Nomura Research Institute, Published by Financial Times Business Information, £76.00.

Opportunities awaiting would-be exporters to Japan are greater than they might expect to find in Europe but an understanding of how different Japanese buying patterns are from those elsewhere is essential before Western logos start vying with local brand names for hoarding space at East Shinjuku (above), Tokyo's main shopping area

Long-term optimism is spelt out by British Aerospace prospectus

Michael Donne reviews the 'strong position' of the aircraft, space and guided missiles industry

INVESTMENT OF more than £600m in civil aircraft programmes now under way, of which about £480m is expected to be spent by the end of 1984, is revealed in British Aerospace's prospectus issued yesterday.

The prospectus says that spending by British Aerospace on its new 146 feederliner (due to fly early this summer) is expected to amount in all to between £300m and £350m. Of this about 80 per cent will have been incurred by 1984.

A total of about £105m was spent on the project by the end of last year. Of this about £18m will be carried forward in the 1980 accounts.

UK spending on the new A-310 version of the European Airbus, in which British Aerospace has a 20 per cent stake, is expected to amount to between £200m and £250m. Of this about 80 per cent will be spent by the end of 1984. By then it will be at peak production.

British Aerospace had spent a total of £45m on launching costs for the A-310 by the end of 1980. Of this about £20m will be carried forward in the 1980 accounts.

Commenting on the possibility of further developments of the Airbus, such as a 150-170-seater, the prospectus says that a decision to proceed would depend on many factors.

These would include consideration by each member of the consortium of its other commitments at the time. It is also possible other companies might be invited to participate.

Overall the prospectus is optimistic about the long-term future for civil aircraft development.

British Aerospace expects scheduled air traffic will grow to about double the 1980 level in the decade to 1989, creating a demand for the products of the UK group.

The Aircraft Group of British Aerospace includes military as well as civil activities. Analysing this group's financial situation the prospectus says that at December 31 last the orders outstanding for military aircraft amounted to just over £1.55bn and for civil aircraft £519m.

At the end of last year total estimated orders outstanding for the entire organisation, including the Dynamics Group (which covers space activities and guided weapons), was close to £3.5bn.

Of military aircraft British Aerospace says that if the U.S. Government decides to buy the AV-8B Harrier for the Marine Corps the UK organisation would expect to carry out about one-third of the airframe production work, in addition to assembling any such aircraft ordered by the Royal Air Force.

British Aerospace is also bidding jointly with McDonnell Douglas of the U.S. for a new Navy trainer aircraft. If selected both companies would participate in development and production on a roughly equal basis. However, no estimates of the value of this work are given.

Production of the Jaguar International version of the Jaguar fighter is expected to continue for several years. Further developments are being considered. These should enhance prospects for more sales. These developments could also lead to modernisation work on existing Jaguars.

The prospectus gives no financial details of investments in, and the cost of work in progress on, the wide variety of missile systems on which it is engaged, primarily for the Ministry of Defence.

But it points out that at the end of 1980 the value of orders for the Dynamics Group as a whole stood at more than £1.34bn.

The prospectus reveals that for the current year the Board has authorised a capital investment for plant and equipment of more than £50m. The board has authorised also a budget for new leases of capital equipment, mainly computer facilities, with a capital value of about £22m.

The prospectus also reveals that during last year British Aerospace's direct and indirect sales to the Ministry of Defence amounted to more than £500m.

The recent defence cuts are not expected to affect the group significantly. The Government has indicated it is not considering measures which would jeopardise other projects the board believes important for the company's future.

The prospectus says that British Aerospace's range of military projects, including the Tornado, Jaguar, Harrier and Hawk, as well as the collaborative nature of a number of its projects, will put it in a good position to achieve substantial orders in the years ahead from NATO and other countries.

"The board believes that the range of British Aerospace's military products and its wide experience in the development and production of such products provide a sound basis for achieving good financial results over the long term."

On civil activities the board "believes that the sales prospects for the wide range of civil aircraft projects in which British Aerospace is involved are encouraging and that they provide a sound basis for good results in the 1980s and beyond."

The prospectus says future profits will be governed by the fact that they are derived mainly from long-term projects in which profitability varies at different stages.

"In the case of civil aircraft in particular, heavy costs are incurred at the early stages of a project, while significant profits can only be expected in later years.

"Its mixture of business reduces British Aerospace's dependence on any one sector and allows those sectors generating cash flow to help to finance other parts of the business for example, the military business is currently helping to finance the new civil aircraft programmes.

"The prospects in the particular markets in which it operates, both civil and military, combined with its substantial resources and wide range of products, many of which are manufactured on a collaborative basis, put British Aerospace in a strong position.

"Overall the board believes that the long-term profit potential for British Aerospace is good."

Aircraft Group

£m	Sales: Military aircraft	Sales: Civil aircraft	Trading profit (before launching costs)	Orders outstanding at period end: Military aircraft	Orders outstanding at period end: Civil aircraft
Year ended 31st December					
1975	267.2	127.0	27.3	639.8	271.1
1976	330.3	217.2	37.3	673.2	223.5
1977	374.6	211.5	40.7	1,379.4	185.4
1978	388.5	194.4	46.3	1,656.4	241.0
1979	450.1	194.6	55.1	1,812.7	449.2
24 weeks ended 14th June					
1980	272.2	110.2	23.1	1,703.1	581.4

Orders outstanding in respect of military and civil aircraft at 31st December, 1980 are estimated to have amounted to £1.55bn and £519m respectively.

BUSINESS

£m	Year ended 31st December, 1979: Sales	Year ended 31st December, 1979: Trading profit (before launching costs*)	24 weeks ended 14th June, 1980: Sales	24 weeks ended 14th June, 1980: Trading profit (before launching costs*)	At 31st December 1980: Estimated orders outstanding
Aircraft Group	644.7	55.1	382.4	23.1	2,070
Dynamics Group	343.6	23.1	172.4	12.7	1,345
Headquarters and subsidiaries	39.1	(1.2)	20.3	(0.6)	60
	1,027.4	77.0	575.1	35.2	3,475

* See under "Civil Aircraft" below and "Accounting Policies" in the Accountants' Report.

DYNAMICS GROUP—GUIDED MISSILE AND SPACE SYSTEMS

£m	Sales	Trading profit	Orders outstanding at period end
Year ended 31st December,			
1975	140.5	14.5	430.1
1976	183.9	18.5	636.1
1977	249.5	27.9	717.9
1978	273.3	21.3	887.1
1979	343.6	23.1	977.9
24 weeks ended 14th June, 1980	172.4	12.7	1,092.2

Orders outstanding in respect of the Dynamics Group at 31st December, 1980, are estimated to have amounted to £1.34bn

Hugh Routledge

Sir Austin William Pearce, chairman

Government to retain strategic share stake

BY IAN RODGER

BRITISH AEROSPACE'S offer for sale consists of up to 100m shares at 150p, half of the total issued, with the final outcome depending on how many shares are taken up under the terms of an employee share ownership scheme.

The prospectus explains that each eligible employee is to be offered 33 shares free by the Government to be held by trustees of the scheme. In addition, up to 2,178,990 shares are to be sold to eligible employees at the offer price, subject to a limit of 800 shares per employee. Each employee who purchases shares under this arrangement and vests them in the trustees will then have appropriated to him by the Government free an equal number of shares to be held by the trustees.

Although the Government is retaining between 48.37 per cent and 50 per cent of British Aerospace, following the £150m shares offer it does not intend to use its rights to intervene in the company's commercial decisions.

The prospectus for the issue contains a letter from the Secretary of State for Industry explaining that the Government would be prepared, however, to use its voting rights in cases where it wished to prevent an alteration to the provisions of the company's articles of association relating to UK control, to the nationality of directors or to the Government-appointed directors.

The Government also might want to use its share vote to oppose any resolution proposing the election of a director believed to represent foreign interests. It does not expect to vote its shareholding in opposition to any resolution supported by a majority of the board in other circumstances although it retains the power to do so.

The letter makes clear that the Government does not intend to sell any more of its shareholding in the company for the foreseeable future and that it intends, in any event, to retain a shareholding conferring more than 25 per cent of the voting rights.

It does not envisage raising its interest in the company unless the company sought financial assistance and no other satisfactory way of providing it could be found.

The historic record shows sales growing steadily from £536.5m in 1975 to £1.03bn in 1979. Trading profits moved from £43.7m in 1975 to £57.1m in 1976, £70.6m in 1977, £83.3m in 1978 and £77m in 1979.

Launching costs first appeared in 1977 at £5.5m and rose to £11m and £39.1m over the next two years. Pre-tax profit was £44.6m in 1975, £58.7m in 1976, £66.7m in 1977, £66.2m in 1978 and £50.3m in 1979.

The balance sheet at June 14, 1980 shows net assets of £482.9m, consisting of £264.1m of fixed assets and £325.2m in net current assets. Loans totalled £35.5m and there was £62.5m in deferred tax. Borrowings had declined to £83.6m by January 1, 1981 and, as a result of the current offer, the company is taking on £99m in cash.

The prospectus says that based on board estimates of the progress of the company's projects overall, it will need substantial external finance, for several years at least.

It has available approximately £250m in medium-term facilities in sterling or dollars and £150m in bank overdraft facilities.

Westland helicopter wins first order worth £2m

BY OUR AEROSPACE CORRESPONDENT

AN ORDER worth more than £2m for two of the new Westland WG-30 helicopters has been placed by British Airways Helicopters, the wholly-owned subsidiary of British Airways.

This is the first order for the helicopters, which carry 17 passengers and are being developed by Westland at Yeovil.

The helicopter is Westland's bid to capture some of the big civil markets for rotary-winged aircraft expected through the 1980s.

The purchaser's aim is to put the WG-30 into service at about the end of this year between Penzance-Scilly Isles. The second aircraft may also be used on the proposed Milton Keynes - New Town-Heathrow Airport route BAH hopes to start soon.

Capt. J. Cameron, managing director of British Airways Helicopters, said yesterday he thought the WG-30 would be able to compete in the world's commercial helicopter markets.

Eventually the company may buy 20 of the aircraft. Westland is negotiating more civil orders with other prospective customers and may be able to announce contracts soon.

● Air Europe, the UK charter airline, yesterday carried its one-millionth passenger. The airline was formed in July 1978. This year it will operate seven Boeing 737 short-range jets to 31 destinations in Europe. The airline made a £2 profit in the financial year to October 31.

● Air Jamaica is suspending routes to the UK and Europe from April 1 until it can halt losses expected to amount to J$30m (about £7m) for 1980 and likely to be J$45m this year. It will continue to fly from Kingston and Montego Bay to New York, Chicago, Toronto, Miami and Philadelphia, and between Grand Cayman, Bahamas, Haiti and Puerto Rico.

● Rolls-Royce still has a chance of winning the engines order for the A-310 Airbuses ordered by Middle East Airlines. But it must make an offer soon to the airline, Mr. Asad Nasr, chairman of MEA, said in London yesterday.

NEDC foreign contracts bid

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

PLANS for improving the co-ordination of UK bids for large-scale overseas contracts are to be considered by the Government and by chairmen of nationalised industries in an attempt to regain ground lost to foreign competitors.

The Prime Minister has promised that ministers will become more involved in spearheading sales missions. The Government is also to consider removing legal barriers which may be preventing nationalised industries launching initiatives.

Nationalised industries earned more than £2.8bn in foreign sales during the year to July, and at the end of 1980 had more than 700 overseas contracts in hand worth a total of £2.7bn.

These initiatives and statistics emerged on Wednesday at a meeting of the National Economic Development Council.

The problem of how to bring together the various UK companies and organisations interested in bidding for foreign contracts, especially what are known as "jumbo" projects, has been studied regularly for more than 15 years.

There have been various initiatives by the Government, nationalised industries and city institutions, but Wednesday's meeting showed these are not fully effective.

A paper presented to the meeting by the National Economic Development Office said: "Our competitors are adopting aggressive financing, marketing and politica lpolicies to win projects, often with a view to gaining foreign exchange to meet their demands for imported energy, as well as to gain market penetration for their industries.

"While UK industry had achieved some notable successes in the project field, it seems clear that we are far from achieving our full potential nationally for reasons ultimately rooted in our industrial structure and institutions."

Reports from NEDO's sector working parties covering areas such as construction and engineering showed that "competitor countries have industrial structurese and institutions wh heiersult in more effective collaboration between all the different interests—consultants, contractors, equipment suppliers, subcontractors, project management, and the essential support role of Government and of the banks."

There was "wide agreement on five basic weaknesses which constrain performance in most project fields." They were: foreign countries such as Japan, the U.S., Germany and France had large industrial or financial organisations which could command all the resources needed for a project; unlike other countries, the UK often submitted competing bids for a project instead of one national offer; most UK contractors had a relatively small asset base; foreign countries had better marketing strategies; the UK did not make enough use of the nationalised industries.

The paper put forward two main recommendations which are to be considered. First, "lead organisations" should be developed with an adequate asset base and financial standing to which all industrial and financial interests could relate, along with the Government. Second, the role of nationalised industries should be strengthened as "spearheads for UK export."

The criticisms were broadly accepted by the Nationalised Industries Overseas Group, which was set up in 1976 and helps to co-ordinate export activities of 25 publicly-owned businesses ranging from British Steel and the National Coal Board to London Transport International and the White Fish Authority.

Diesel industry wants Government aid

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE GOVERNMENT is called upon to help the diesel engine industry in the report of the industry's sector working party, which was submitted to the meeting of the National Economic Development Council this week.

The report makes it clear that factors outside the control of the industry—namely, new producer countries and the weakness of the UK customer base—have been largely responsible for the industry's failure to maintain its share of the growing world market.

It also expresses concern over the shift to diesel in the car market, where the British car industry is as yet unrepresented.

The report recommends changes in the UK structure to improve OEM (original equipment manufacturer) outlets (in this context it notes that Leyland Vehicles has a strong influence on the UK's share of the world output), more international tie-ups, co-operation and standardisation of modern high-volume engine designs.

Acknowledging the progress already made in improving competitiveness, the report emphasises that this trend must be continued.

It says higher levels of investment and research and development expenditure are needed for international growth. The report adds that the Government must realise the opportunity that faces the industry and be prepared to encourage investment by supporting practical research and development contracts and manufacturing ventures, which reinforce the UK's position in growth market sectors.

£2m jetfoil terminal for RTM and Sealink

By Our Shipping Correspondent

A £2M TERMINAL is to be built at Dover's Western Docks to accommodate the new Dover-Ostend jetfoil service, which will start on May 31.

Belgium's Regie Transport Maritime and its British partner, Sealink UK, are planning to operate two jetfoils on the route, which will offer six return crossings a day at the height of the holiday season. In addition, there will be up to 15 return crossings by conventional ferries.

Last year, two other UK-Continent jetfoil services, operated by P and O Ferries from London and Seajet from Brighton, were taken off. RTM believes its service will be more successful since schedules coincide with train services.

The Ostend terminal is next to the railway station and the Dover terminal will be connected with British Rail's train services at the Admiralty pier. The two Boeing jetfoils will make the crossing in one hour and forty minutes as against 3½ hours for the conventional ferry service operated by RTM under the Sealink umbrella.

The operators claim that the London to Ostend journey will take 5½ hours. Brussels will take 5½ hours and Cologne 8½ hours.

The service is being competitively priced at only about £4.50 per person per trip more than the ferry, and people are assured of a seat. Each craft will carry 316 passengers.

Foreign students to pay 54% more

A RISE of 54 per cent in the fee for overseas students entering work-skills training in technical colleges was announced by Mr. Mark Carlisle, the Education Secretary, in the Commons. New foreign entrants to laboratory or workshop-based courses at sub-degree level will pay from £1,890 to £2,901 more for the 1981-82 academic year.

At universities fees for arts subjects will rise from £2,000 to £2,500; for sciences £3,000 to £3,600; and clinical-level studies, as medicine, £5,000 to £6,000. Increases for polytechnic degree courses will be £2,400 to £2,649 for classroom-based subjects, and £3,300 to £3,672 for laboratory- or workshop-based studies.

Takeovers down

VOLUME of company acquisitions fell sharply in the fourth quarter of 1980. British Business, the Department of Trade publication, said there were 116 acquisitions in the final quarter, totalling £27m. The third-quarter figure was £687m. That for the fourth quarter of 1979 was £752m.

For 1980 as a whole acquisitions were £1.47bn, against £1.66bn. The highest annual total in the past decade was £2.53bn in 1972.

Jobs for 100

JACKSON-DAVIES Engineering is to open a factory at Glenrothes, Fife, and plans to employ about 100 in the first year. The company has works on Teesside and in Cardiff.

The move to Fife is intended to take advantage of expansion of Scottish petrochemical industries.

Training company

A COMPANY, Industrial Experience Projects, is to provide combined training and work experience for school-leavers at St. Helens, Lancs., has been set up by the Pilkington glass group with aid from the Manpower Services Commission and the local council. The group and its associated Rainford Trust have provided £70,000 capital to launch the company, staring in September.

Cheaper railcard

UNDER a British Rail scheme starting on March 1, up to four adults and four children can benefit. The £10 card allows half-price tickets and £1 flat fares for children. This is £6 cheaper than an experimental family card last year.

Electricity Council to pay £52.8m to pension fund

BY CHRISTINE MOIR

THE Electricity Council must pay £52.8m to top up its white-collar pension fund, which has an actuarial deficiency of £161m.

The deficiency—mathematical estimate of the difference between promised pensions and normal contributions and investment income—is to be made up through three annual special contributions of £17.6m.

Electricity Council workers' pensions are linked to the Retail Prices Index. This meant an increase last year of 17.5 per cent.

In the report and accounts of the white-collar and blue-collar funds for the year to March 31, 1980, Mr. Austin Bunch, chairman of the funds and chairman-designate of the Electricity Council, points out that "the problems of meeting the cost of these increases continues to cause concern."

His statement coincides with the publication of the Scott Report recommending index-linked pensions.

The accounts also reveal for the first time the extent of the pension funds' exposure to the controversial investment in Westmoreland Investments, an unquoted property company.

It was the final takeover of that company and doubts about its value which led to the suspension and finally the early retirement of the two senior investment managers last March.

Although they have since been publicly exonerated by the council of any impropriety police investigations into the company are still continuing, the Director of Public Prosecutions confirmed yesterday.

The pension funds wrote off their £16m equity investment in Westmoreland some time ago, but still have £13.5m of loans outstanding to the company and have guaranteed a further £19.7m of secured borrowings.

Westmoreland is said to have a deficiency of £19.2m on reserves (including a £3m trading loss last year) following a special valuation commissioned from Jones Lang Wootton which reduced the book value of the property portfolio from £83m to £40m.

Mr. Bunch reminds members of the funds that Westmoreland is gradually being wound down and properties sold when they are completed and let. The final shareholders' deficiency is likely, therefore, to be less than presently stated, although it might increase.

In any case, Mr. Bunch says, the deficiency on Westmoreland should be seen against the total size of the funds. The white-collar fund increased in size by £125.8m to £836.6m in the year under review and the blue-collar fund (which has a small actuarial surplus) grew by £57.6m to £338m.

The yield on new investment made during 1980 amounted to 10.12 per cent compared with 8.55 per cent the previous year, but the total returns from investment—the £62.7m of investment income—represented a yield of 8.45 per cent on average book value.

Duport in talks with BSC over integration of steel production

FINANCIAL TIMES REPORTER

DUPORT, the private steel manufacturer, was engaged yesterday in a series of discussions with officials from the British Steel Corporation and the Department of Industry.

The talks dealt with the Phoenix 2 project for the integration of private and public special steel production and marketing and, more urgently, with the financial difficulties faced by the company.

The project will probably be preceded by an agreement on Phoenix 1, involving GKN and the Corporation in the manufacture of steel rod and bar. The agreement has been delayed because of last minute complications.

The second project takes in GKN, Hadfields, the Round Oak steelworks owned jointly by Tube Investments and BSC, and Duport, which are all engaged in the manufacture of steels for the engineering industry.

Duport, at its own request, had a meeting earlier this week with Sir Keith Joseph, the Industry Secretary. It is thought that he advised the company to pursue the search for a viable solution with BSC. If this could be found, it is likely the Department would be prepared to consider a request for financial aid.

The obstacles to such a solution have grown in the light of the continuing deterioration of the market for engineering steels at a time of excessive capacity.

The other private sector participants, although under severe pressure, are less vulnerable than Duport because of their wide spread of activities and stronger financial strictures. Duport has engineering and consumer goods operations but the bulk of its profits has always come from special steel manufacture.

Duport has already reported heavy losses in its West Midlands and Llanelli steel plants where it has invested heavily in new facilities over the past five years. In the six months to July 31 it had a pre-tax deficit of £4.5m.

Losses are understood to have increased since then, and the uncertainties surrounding the protracted Phoenix 2 discussions forced its share price down to an all time low of 7p recently.

Talks are expected to resume between Duport and its bankers in London once it has assessed the outcome of the discussions with BSC. There have been no formal meetings between the company and bankers since the beginning of last week, but the Midland Bank, Duport's lead bank, is scrutinising developments on a day-to-day basis.

Japanese battery plant may open in S. Wales

By Robin Reeves, Welsh Correspondent

A LEADING Japanese battery producer, Yuasa Denchi, is considering establishing a manufacturing plant in Wales to produce specialist, sealed lead acid batteries.

The Development Corporation for Wales, confirmed yesterday that it had been discussing the project with Yuasa for some time. If the investment went ahead, the plant would be established in Gwent, South Wales. But the corporation stressed that no final decision would be made by the company before the end of March.

The £1m plant would produce some 100,000 batteries a year, creating about 150 jobs. The batteries would be used in portable televisions, video equipment, and burglar alarms.

Yuasa would become the eighth Japanese company with Welsh manufacturing facilities.

Wales already claims to have the largest concentration of Japanese manufacturing in Europe, and is strongly tipped to secure Nissan's proposed UK plant to manufacture Datsun cars.

The development corporation stressed yesterday that the visit had been planned months ago and there was no question of it having been arranged to press Welsh claims for the planned £200m-£300m Nissan car plant.

The visit has been strongly attacked in the North-east, which is also anxious to secure the Nissan investment. Mr. Mark Hughes, MP for Durham and chairman of the Northern Group of Labour MPs, has demanded that Sir Keith Joseph, the Industry Secretary, should lead the delegation to ensure "fair play" for the whole UK.

Charles Smith writes: Yuasa hopes to establish the Welsh company by August. It will have a capital of Y100m (£200,000).

Yuasa is the second largest Japanese manufacturer of storage batteries and a specialist in research on batteries for electric cars. Its overseas sales accounted for nearly 19 per cent of turnover in the company's last financial year.

GKN Sankey to cut 1,240 jobs at three Midland factories

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

GKN SANKEY announced details yesterday of more than 1,240 redundancies owing to the continued decline in the automotive industry. At Hadley Castle Works, Telford, 989 jobs, nearly one in four of the labour force, are to be axed. The Albert Street Works, Bilston, West Midlands, will lose 140 employees and the nearby Bankfield site 113.

The company said that "huge" losses in 1980 put the division in a "disastrous situation." It makes steel pressings, wheels and cabs, and is particularly vulnerable to the downturn in the vehicle industry.

Mr. Trevor Holdsworth, GKN Group chairman, said last September that the business decline indicated need for a cut of about 10,000 in the group's 69,000 UK workforce.

The situation has since deteriorated. In the past few weeks GKN has announced closure of Automotive Fasteners, Birmingham, with loss of 450 jobs; Newton Transmissions, Devon, an axle plant, employing 400; and an industrial fasteners plant in Birmingham, 325 jobs.

One of Britain's two remaining typewriter factories, both owned by the U.S. SCM Corporation, will close as a result of declining exports, with loss of about 230 jobs.

The Smith-Corona factory at West Bromwich, which produces portable machines, is a casualty of the high value of sterling and foreign competition, which also cause serious problems for the company's plant in Glasgow.

About 70 per cent of the factory's output has normally been exported, largely to North America, but sterling strength caused a rapid decline in sales, the company said.

McCorquodale, the specialist printing group, has served redundancy notices on 128 employees at a subsidiary at Newton-le-Willows, Merseyside, which produces lists for the motor and engineering parts businesses.

Masson Scott Thrissell, the Bristol manufacturer of machinery for the paper and board industry, has cut its work force of 650 by 40.

H. P. Bulmer, one of Hereford's largest employers, is to reduce its work force by 130 this year owing to a steady fall in cider sales since the summer. The company, which employs 1,900, did not rule out compulsory reduction.

Most job losses are expected to be in Hereford, where Bulmer operates the world's largest cider plant, but there will be cuts at some depots.

The Simon V. K. factory, Birkenhead, has cuts its 226 workforce by 57. A further 70 go on short time in a fortnight. The plant makes printing machines for domestic and foreign markets and diesel-engine components for the Defence Ministry.

Harwich Dock Company will make more than a quarter of its work force redundant. Sixty jobs go at the Navy Yard Wharf because of falling traffic. The Transport and General Workers' Union will do all it says it can to fifht the redundancies.

ATV franchise for Midlands confirmed

BY ARTHUR SANDLES

ATV NETWORK has fulfilled the basic demands of the Independent Broadcasting Authority and been confirmed as the ITV franchise holder for the Midlands. The IBA has approved an ATV scheme for shedding 49 per cent of its stock to shareholders other than the present parent, Associated Communications.

The arrangement with ATV means that the IBA has only one serious loose end left after its New Year round of franchise re-allocation—the demand that Trident Television relinquishes control of Yorkshire TV and Tyne Tees TV as a condition of those two companies retaining their contracts.

Trident has until the end of this month to present proposals. If the IBA does not approve these, it will be forced, under the terms of its own announcements, to re-advertise the franchises.

In the ATV case, the company has agreed to six conditions for retaining the contract. The ATV proposals include the nomination of Lord Windlesham as managing director of the restructured company with a separate chairman of the main board who is not now connected with ATV or ACC.

● Granada TV Rental says it plans to spend £50m on video equipment for its rental shops over the next four years. Given Granada's present buying policy, the main beneficiary would be Hitachi which makes most of the company's video-cassette recorders.

● Scattish Television and Grampian Television are to end their joint selling operation. Stags. when the new ITV contract starts next January. The two companies have decided there will be sufficient work to justify a return to independent sales units. Programme co-operation for viewers in Scotland will con-

Golden throne fails to find buyers

SALEROOM

BY ANTONY THORNCROFT

A GOLDEN THRONE that may have been that of the Maharajahs of Jamnagar, in India, failed to find a buyer at Sotheby's Belgravia yesterday. The bidding petered out at £36,000. The saleroom was expecting about twice as much.

Although Sotheby's sold Victorian paintings by Alma-Tadema and Burne-Jones last year which had been in the palace it denies that the throne and footstool, which date from around 1840, are from the same source. The vendor is a dealer who claims that his client acquired them in England.

Even so the publicity about their origin—ti is illegal to export such items from India without a licence—and the exotic nature of the works of art may well have dampened the enthusiasm of buyers.

Top price in the auction of oriental works of art was paid for a massive silver salver, also from India but of the late 19th century, which was just about on target at £5,000.

At Christie's in New York on Wednesday, a silver wine cup made in London in 1634 but soon exported to the Americas sold for £23,333 to the London dealer Koopman. Known as the Bradford cup it belonged to William Bradford, a Pilgrim Father who sailed to the New World in 1620, and has descended through his family.

Court to rule on Gulf insurance

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HAMBURG shipping company has complained to the High Court that it has been held liable to pay for abnormal insurance cover for a vessel it chartered for a trip to the Gulf.

Schiffahrtsagentur Hamburg Middle East Line was yesterday given leave by the Commercial Court to appeal against an arbitrator's ruling that it must pay $203,282 (£86,228) in additional war risks premiums.

The case is regarded as particularly important for the insurance market.

It turns on the interpretation of a clause in the charter party which stated that the charterer was liable for "any additional war risk insurance premiums over and above normal war risk insurance premiums."

The question the Appeal Court will have to decide is whether that means that the charterer had to pay a premium over and above the normal premium, or an additional war risk insurance over and above normal war risk insurance.

Schiffahrtsagentur chartered a vessel from Virtue Shipping Corporation Monrovia in February last year for the voyage.

Virtue claimed $305,720 (£129,680)—the total of additional premiums it had been debited by the Hellenic Mutual War Risks Association (in which Virtue had entered the vessel for war risks) for crossing the Suez Canal, entering the Gulf and remaining there between March 13 and early May, 1980.

Schiffahrtsagentur denied liability for that sum, but the arbitrator held it liable to pay $196,425 (£83,319) additional war risk premiums for the Gulf and $6,857 (£2,909) for the Canal.

He rejected the charterer's contention that it was liable only for an increase in additional war risk premiums after the date of the charter party, and that, as such premiums had been falling since that date, there was no liability.

He held that "additional war risk" was a special type of cover which was not an increase or addition to the normal rates but a fresh type of insurance above the normal war risk cover.

The arbitrator also rejected Schiffahrtsagentur's argument that any liability should be restricted to the cheaper cover offered by the Hellenic Mutual War Risks Association, which excluded "blocking and trapping risks."

He said he could see no good reason why Virtue should restrict the scale and extent of its cover just because of its cost to the charterer.

CB radio 'violence' claim

BY ELAINE WILLIAMS

CLAIMS THAT illegal users of citizen's band radios are intimidating Post Office officials were made in the Commons yesterday by Mr. John Golding, Labour MP for Newcastle-under-Lyme.

He said that members of the Post Office radio interference service were being "physically injured, their families threatened and some had had acid poured over their vans."

One officer had had an arm broken and others had received telephone threats. "Citizen's band users are not the jolly motorists portrayed in the media," Mr. Golding said. He claimed that some CB users even have a special fund as "insurance" against prosecution.

The Post Office Engineering Union, which sponsors Mr. Golding, wants urgent action to protect its members from further harassment especially in the North-east where the problem is worst.

Mr. John Gorst, Conservative MP for Hendon North, has suggested that policy should accompany Post Office staff during their investigations.

The National Council for the Legalisation of Citizen's Band said yesterday that it warned the Home Office of the dangers of delaying the introduction of a CB service. When the council was set up in 1979 there was an estimated 30,000 illegal users. Today the number is 250,000 and growing at 16 per cent a month.

Mr. Kenneth Baker, Industry Minister, has promised to take up the harassment matter with the Home Office and is to make a statement on CB early next week.

FT journalist receives property award

Mr. Andrew Taylor of the Financial Times was yesterday named Property Journalist of the Year by the Incorporated Society of Valuers and Auctioners.

The award is for the journalist who "consistently contributes the most balanced, constructive views on property."

Mr. Taylor received a silver salver an da cheque for £500 from Mr. H. Jack Smith, president of the society.

The ISVA Knight, Frank and Rutley award for the special residential sector went to Mr. David Hoppit of the Daily Telegraph. Mr. Adam Murza, editor of Estates Times, was the trade-professional Press awards and Mr. Paul Raymer, of the Birmingham Post, the local-provincial Press category.

Two further enterprise zones named

By Anthony Moreton, Regional Affairs Editor

HARTLEPOOL and Wakefield were yesterday named as further sites for enterprise zones by the Prime Minister.

This brings the number of zones to 11. No further sites are expected to be announced.

Enterprise zones were unveiled by Sir Geoffrey Howe in his Budget speech last year. Areas of about 500-600 acres were designated in which firms will be allowed to expand free from all but a few regulations. Rates will not be paid for 10 years and there will be 100 per cent capital allowances on commercial and industrial buildings.

It is hoped that as a result firms would move in and help regenerate the areas economically.

Wakefield and Hartlepool are expected to be small sites, although this is open to discussion between the Government and the local authority. It is unlikely that either will be in operation much before the end of the year.

Post Office expands facsimile mail service in UK

BY JASON CRISP

THE POST OFFICE launched its facsimile mail service, Intelpost, in the UK yesterday with links to 18 cities and towns, adding to the existing links between London and Toronto, New York, Washington and Holland.

The international version of Intelpost scans documents in London, stores them in a computer in digital form, and then transmits them via a satellite to reproduce an exact copy.

The domestic version is a straightforward transmission along telephone lines. It takes two to three minutes for an A document scanned at one centre to be reproduced like a photocopy at another.

Inland, Intelpost costs £2 for the first page and £1 for each following page. The recently introduced U.S. and Dutch links cost £4 for the first page and £2 for subsequent ones.

The Post Office is renting two different sorts of facsimile machine for each of the domestic centres. The faster one is built by Ricoh in Japan and sold in Europe by Kalle Infotech, a subsidiary of Hoechst. The other is made by Muirhead and sold through Nexos, the office equipment subsidiary of the National Enterprise Board.

The new centres are: London, Birmingham, Bristol, Cambridge, Leicester, Nottingham, Leeds, Newcastle, Slough, Sheffield, Belfast, Liverpool, Manchester, Preston, Edinburgh, Glasgow, Southampton, and Cardiff.

Documents are either handed in or collected from the main post office or are delivered by Expresspost at extra cost.

Mr. Ron Dearing, chairman of the postal side of the Post Office, said he hoped the number of UK centres with Intelpost would be increased to 180 if the service is successful.

Mr. Dearing predicted that the Post Office will begin a mass electronic mail service, in which companies would communicate by computer with regional Post Office computers where the letters could be printed and delivered.

This pitch for electronic mail business may bring the Post Office into direct competition with British Telecom when it is hived off as part of legislation going through Parliament.

Electronic mail between companies is likely to be based on communicating word-processors and similar equipment with the information transmitted along telephone lines from office to office.

● Tone Commander Systems (TCS), a small but rapidly growing U.S. telecommunications company, wants to manufacture private automatic branch exchanges (PABX) in Wales.

TCS is seeking approval for its very small PABX from British Telecom which has asked a number of companies to tender for exchanges of this size.

TCS is negotiating with the Welsh Development Authority for an advanced factory of 10,000 sq ft. It expects to open in the summer and employ 40 people in the first year.

Vehicle output improves

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR and commercial vehicle output was at a very low level in January but marginally better than at the end of 1980, according to Department of Industry statistics released yesterday.

Car production figures for the month reflected the return to more normal working at BL Cars and the steady improvement in output of two successful new British-built cars, the Austin Morris Metro and Ford Escort.

So the seasonally adjusted monthly average output in January of 70,000 was a distinct improvement on the 57,000 for December.

However, short-time at Vauxhall and Talbot UK plants pushed the monthly total well below the 98,000 produced in January last year and the monthly average of 77,000 for the whole of 1980.

Short-time is widespread in the commercial vehicle industry, with not one plant working normally.

The seasonally adjusted monthly average output of commercial vehicles in January was 20,600 compared with 20,000 in December.

The total compared with the 38,700 for January last year and a monthly average of 32,400 for the whole of 1980.

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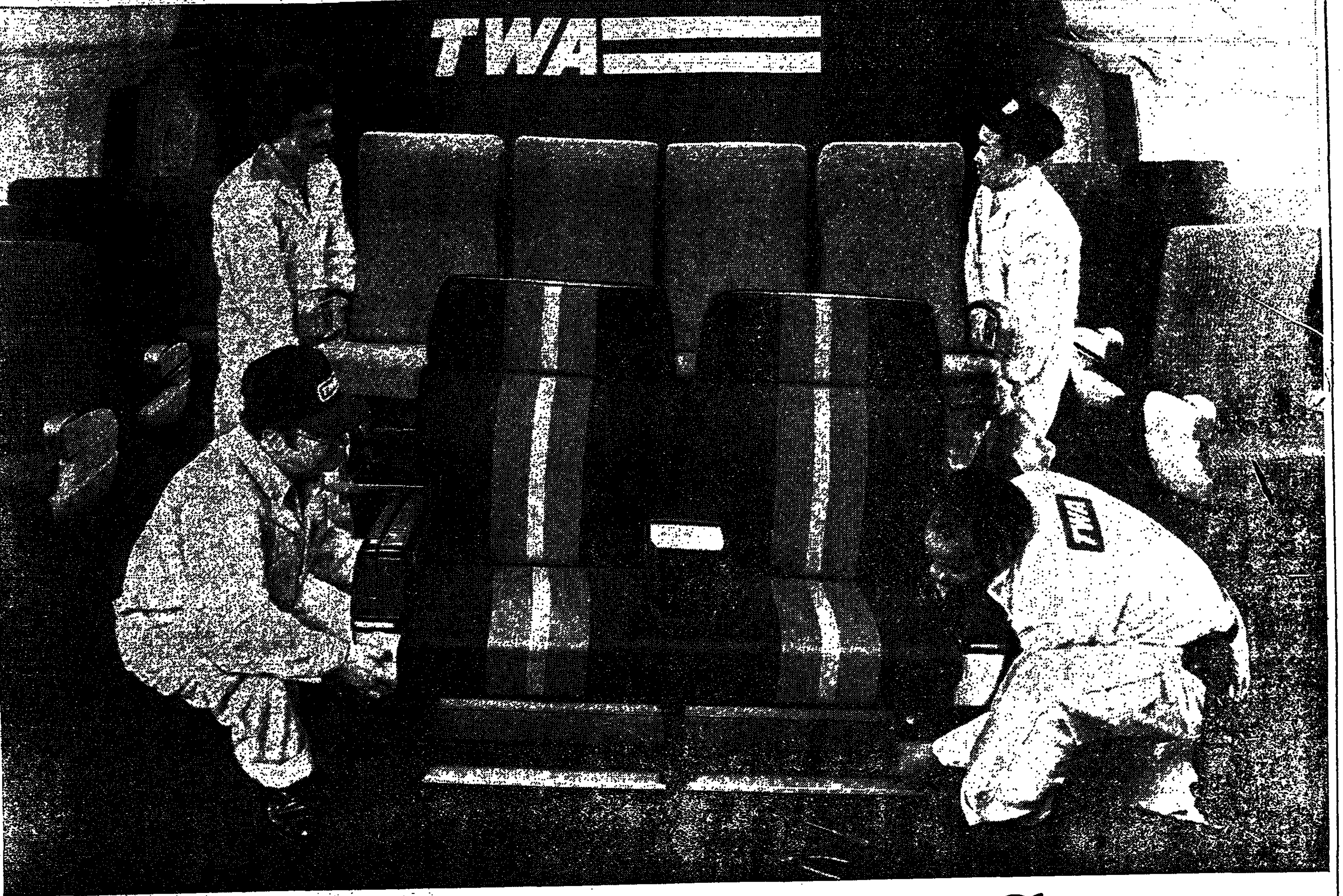

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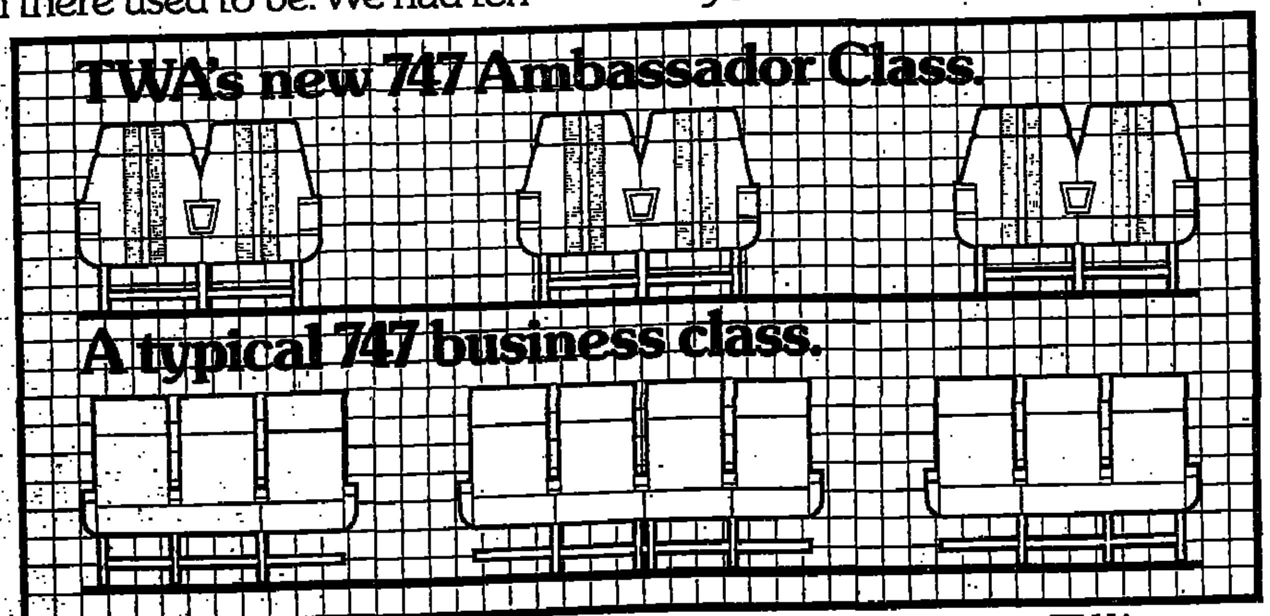

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UK NEWS — LABOUR

Talks tomorrow could end seamen's pay deadlock

BY PAULINE CLARK, LABOUR STAFF

FRESH MOVES to end the deadlock between union leaders and shipowners in the national seamen's pay dispute were indicated yesterday when both sides agreed to meet with conciliation officers this weekend.

The talks, at the offices of the Advisory Conciliation and Arbitration Service, will start at 11 a.m. tomorrow and represent the first formal get together between the two sides since industrial action started nearly a month ago.

The agreement to talks—although the union said yesterday that, for its part, the agreement was still "tentative"—follows a meeting of the policy-making body of the General Council of British Shipping two days ago.

Employers have given no firm indication that they are prepared to go beyond the 12 per cent offer, which the union rejected because it does not go far enough towards meeting its demands for overtime rates for seamen at time and a half.

But, following a local settlement between Townsend Thoresen and its Southampton ferrymen earlier this week, shipowners pressed the National Union of Seamen to reconsider their proposal to "restructure" the 12 per cent offer.

All the signs yesterday were that this may lead to some improvement in the overtime element of the offer, although it may not be clear until tomorrow whether sufficient movement has been made to bring the two sides into formal negotiations.

Until now the union has insisted there can be no settlement unless employers move significantly towards meeting the overtime rate claim or accept independent arbitration.

The Townsend Thoresen deal, which led to a resumption of normal cross channel services by the company yesterday for the first time in two weeks, was said by the shipping council to be in line with its 12 per cent limit. But the NUS claimed it was worth more than 14 per cent if applied to the shipowners' formula for seamen on unconsolidated rates of pay.

Pressure has been mounting for the two sides to resume contact over the past two or three weeks as industrial action by seamen has caused increasing disruption to British shipping. The union says some 200 ships are now held up indefinitely by strikes and problems are made worse by congestion in ports because of ships tied up in berths.

The pressure on both employers and union was underlined yesterday when Mr. Adrian Swire, president of the shipping council, told Newcastle shipowners that the industry was "at a watershed" because of the seamen's strike.

He said British shippers had lost their competitive edge to an "alarming" degree with many overseas competitors. There was no doubt that when the strike was over there would be fewer British ships and fewer British orders for new ships.

He said the industry, faced with high manning costs and the stronger pound, must now consolidate or "go fast downhill."

Power pay talks put off for a month

By Pauline Clark, Labour Staff

ELECTRICITY SUPPLY industry employers yesterday told Britain's 85,000 power workers—a leading group in the present public sector wage bargaining arena—that any pressure for a 15 to 20 per cent pay settlement this year would be strongly resisted.

At the first formal pay talks in the new wage round, Electricity Council officials drew back from tabling a formal offer. The two sides agreed to meet again in a month after further consideration of the claim.

But employers told the four unions—the Electrical and Plumbing Trades Union, the General and Municipal Workers' Union, the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers—that the present state of the industry would not allow a settlement around the 20 per cent deals reached in the past two years.

The unions made it clear that they would seek a deal in line with the miners' settlement last November because of similarities in the work of surface workers in mining and labourers who handle coal for power stations.

But the employers and unions disagree on what the miners' settlement is worth. The electricity council argued that over 10 months, the deal worked out to only 9.6 per cent on the annual wage bill. The unions estimated that the deal is worth at least 13 per cent.

Ambulancemen in pay battle

BRITAIN'S 17,000 ambulancemen, who are the only group claiming a direct link with the firemen's 18.8 per cent pay deal this year, are expecting to join forces with 250,000 ancillary workers in a battle against a 6 per cent pay ceiling.

At their first formal negotiating meeting with health service employers today, union leaders are expecting an offer of only 6 per cent because of the Government's failure to make clear what the cash limit on wages in the National Health Service will be this year.

Hosiery workers accept 5% rise

BY JOHN LLOYD, LABOUR CORRESPONDENT

WORKERS in the hosiery and knitwear industry have agreed to a wage increase of 5 per cent for this year.

The National Union of Hosiery and Knitwear Workers, which represents around 60,000 workers in the industry, had claimed a "substantial" (around 15 per cent) increase, together with shorter working hours, longer holiday entitlements and enhanced shift and bonus premiums.

However, Mr. Harold Gibson, the union's general president, said last night that the negotiations were conducted against the worst recession in the industry since the 1930s.

"The problem was the stringency in the industry. I think it's beginning to bottom out now but it's still difficult to be optimistic."

However, Mr. Gibson said that the union had won an extra day's holiday entitlement, and improved rates for unsocial hours.

Over the past 15 months, about 16,000 jobs have been lost in the industry, which is largely based in the East Midlands, and more than 50 plants have closed. The union itself has lost about 10,000 members in this period.

Mr. Gibson said that the possibility of a merger with another union in the industry was "always on the cards," though no serious moves were presently under way. The natural merger for the NUHKW would be the larger National Union of Tailors and Garment Workers.

Bank union against joint arbitration

BY OUR LABOUR STAFF

THE CLEARING Bank Union told employers yesterday that it preferred a disputes procedure which involved unilateral arbitration rather than joint voluntary arbitration as proposed in the clearing banks document on future bargaining machinery for the industry.

The employers' proposals, which would involve the setting up of joint negotiating councils for clerical and non-clerical staff, would involve arbitration if the banks and one or both of the industry's two principal unions opted for it. It would then be binding.

The CBU wants provisions for arbitration even if only one party wished to settle a dispute through this means.

The clearers were yesterday consulting with the CBU and the Banking, Insurance and Finance Union. The attitude of the latter has been against systems of arbitration in which it might not agree to arbitration but which would be binding on it.

Nick Garnett examines the issues in the Ford truck-drivers' dispute

Negotiating concealed bends

UNION-MANAGEMENT talks are due to resume today on the crippling strike by 440 truck-drivers at Ford's Dagenham site. The talks preceed a full meeting of the company's joint negotiating committee on Tuesday.

The dispute and picketing have led to production losses of 6,000 cars and commercial vehicles (based on production target levels) since it began last week.

The disruption has left Halewood, Merseyside, the only Ford plant producing finished vehicles. It has reflected the importance of Dagenham not only for producing Cortina and Fiestas but in supplying parts to Southampton, Langley and elsewhere.

Ostensibly the dispute is about the interpretation of a local agreement for Dagenham drivers, signed in 1977. Below this, however, is a battle by drivers to protect and perhaps to extend overtime earnings in the face of growing economic pressure on the company to vary the way it uses its own truck fleet.

According to the company these pressures have made the natural financial advantages of using outside haulage contractors for foreign trips even more attractive.

The 1977 agreement provided for up to five trips a week for Dagenham drivers to take supplies to the company's plant at Genk, in Belgium. The supplies, mainly right-hand drive parts, were for Cortinas destined for the UK market.

The trips were halted in May last year because the company was importing by then a much smaller number of Cortinas (mainly two-door models) to the UK from Genk. This decision was apparently accepted by the Ford truck drivers.

Two weeks ago, however, the company, short of body-panels at Dagenham, used an outside haulage contractor to bring supplies from Genk.

This was the immediate spark for the strike. Mr. Ron Todd, national organiser of the Transport and General Workers' Union, to which the drivers belong, accused the company of breaking an agreement.

The union did not question that trips should be run economically. Supplies to and from Genk, however, were part of a fixed agreement. This had been reached with Ford on the basis that the union accepted the use of outside contractors on some other routes.

The company argues that this is a misinterpretation of the agreement which, it says, does not give an open-ended commitment that all runs to Genk from that date should be done by company drivers.

The recent trip from Genk was to cater for an urgent need at Dagenham. The company says it reserves the right to organise transportation in those circumstances on the basis of cost-efficiency.

The company has been striving recently to improve the cost-efficiency of its own truck fleet, particularly at Dagenham. It has been doing this, it says, to ensure its survival.

After the Genk runs were stopped last year the management undertook to investigate the possible use of its fleet in runs to European plants other than Genk.

Trial runs were made to Holland, France and West Germany, testing the costing for both single-load and return-load journeys. In general, the company says it found that it would be more economic to use outside TIR private hauliers for both types.

Only trips to the Bordeaux plant in south-west France could be seen as economically viable for Ford's own drivers. The company promised the possibility, but not the guarantee, of up to two runs a week to the French site.

Mr. Todd said the drivers did not question the need to use the company fleet economically. The drivers, though, were worried about possible erosion of the fleet by growing use of contractors.

The company says it is trying to protect its fleet by making it more financially secure. Continental trips are a small proportion of the journeys made by company drivers. Of the Dagenham strikers about half are used solely for moving materials within the site.

Although there have been suggestions that the drivers were upset at the loss of perquisites, such as duty-free cross-Channel goods, the company agrees with the union that this is not the issue.

The company, however, believes the drivers appear to be making a case that, in principle, return-load trips to the Continent should be preserved for company drivers irrespective of economic viability.

Overtime is certainly an important issue for many Ford drivers, as it is generally throughout private haulage where many Road Haulage Association regions have guaranteed overtime agreements.

Ford drivers work a nine-hour day, one hour in overtime, for about £130 to £150 pay for a standard week. Continental trips can boost those earnings considerably.

The company argues, though, that when workers in much of the motor industry, including parts of Ford, are on short-time, the drivers are in a fortunate position to be on even minimum overtime.

The climate at Ford has also changed. The company recently has had more confidence in its dealings with the unions. It has also laid great emphasis on the shopfloor adhering to agreements. This has been thrown back into the company's face but on a basis which management says is erroneous.

State industries aid hopes are lifted

BY OUR LABOUR EDITOR

A MEETING between TUC leaders and chairmen of nationalised industries yesterday raised trade union hopes of a potential alliance against the Government's policies on investment in and support of State industry.

According to both sides last night there was much "common ground" on the question of the nationalised industries' external financing limits. Some chairmen have already complained that these are too restrictive.

The chairmen's group agreed to provide, ahead of a second meeting, their detailed assessment of those parts of the TUC's recently-published annual economic review dealing with State industry financing. There was also discussion of the possibility of a joint statement being made at the end of the process.

Led by Sir Derek Ezra, chairman of the Coal Board, the group included Sir Robert Marshall of the National Water Council. Sir Derek's successor as chairmen's convenor, Mr. Ron Dearing of the Post Office, Sir Peter Parker of British Rail and Sir Denis Rooke of British Gas.

The discussions are of particular interest to the general secretaries of the coal, steel and rail unions.

TUC seeking more direct link with shipbuilders

BY NICK GARNETT, LABOUR STAFF

THE TUC is attempting to forge a more formal and direct relationship with the Confederation of Shipbuilding and Engineering Unions.

TUC and confederation officials have met once already to discuss a TUC proposal that a formal meeting between the two should be held at least twice a year.

This proposal is in line with the TUC's recent document on structure and organisation which suggested that a more systematic liaison between the two bodies would be beneficial.

Confederation officials are awaiting a TUC report summarising the outcome of the joint meeting, held last month. They will then be in a position to make a more formal response.

The confederation might agree to a more formal liaison with the TUC, but it will not agree to becoming a section or arm of the TUC.

This reflects a policy decision taken last year and subsequently reaffirmed. Mr. Alex Ferry, the confederation's general secretary said yesterday that in certain ways the aims of the two bodies were not compatible.

The Transport Workers' union takes a subordinate role to the Amalgamated Union of Engineering Workers on the confederation.

UK NEWS

'Extend index-linked pensions'

ROBIN PAULEY looks at the Scott Committee report on pensions, which has come to conclusions almost directly opposite to the views of Mrs. Thatcher.

THE Scott Committee inquiry into index-linked pensions in the public sector has come to conclusions that are almost exactly the opposite of those Mrs. Thatcher was hoping for.

The committee, headed by Sir Bernard Scott, a former chairman of Lucas Industries, did not agree with Mrs. Thatcher that public sector employees pay too little for their pensions, which are forever cushioned against inflation.

Instead, the committee rejected some of the "extremely high values that have been quoted in criticism of the system" and recommended not only that it should continue, albeit with some improvements, but also that it should be extended across the private sector.

The committee suggests this might be best achieved by the issue of gilt-edged, index-linked bonds, an idea which has split the Cabinet.

The main points of the report include:

—Civil servants contributions, eight per cent of pensionable pay, are almost double the average direct contribution by employees in analogue schemes (i.e. schemes for comparing private and public sector pay, conditions and pensions for comparable work).

—Acceptance of the Government Actuary's long-term assumptions including:

● The rate of inflation will average 7 per cent annually;

● an average return on investments exceeding the rate of inflation by 3 per cent per year;

● return on investments will exceed increases in the general level of earnings by 1.5 per cent per annum;

● increases in analogue pensions in payment will be at about the same proportion of the inflation rate as recently (that is 50 to 60 per cent).

—A call for index-linked gilt-edged stock, available only to pension funds. This might also reduce the uncertainty over inflation rates and rate of return on investment.

—Acceptance that the present contributions by civil servants for their index-linked pensions are reasonable at 8 per cent, although at the low end of a reasonable option range of between 7 and 13.5 per cent of pensionable pay.

—Refusal to put a value on the benefit of job security, which applies to public sector servants and not in the private sector.

The committee thinks public and Government concern about index-linked pensions in the public sector has more to do with the high inflation rate than with defects in the system.

"If the battle to contain inflation is successful then the present considerable inequalities between pensions will diminish to more manageable proportions," it said.

"In the meantime it is a fact that the private sector employee cannot acquire a pension that has a guarantee of inflation-proofing on any terms. And thus, especially during this present period of recession and economic stringency, the feeling of injustice so widely held in the private sector must be recognised."

The answer was not to abandon the indexation principle, but provide it for the private sector as well.

The report goes to some length to dispel the "misconception" that civil servants pay nothing for their pensions.

An illustrative example shows that for each £100 of gross pay that somebody in a comparable non-civil service job receives, the average civil servant will get gross pay of £93.90.

Of the difference, £2.40 reflects the difference between the contributions from gross pay by the average comparable worker (£4.30) and the contribution that a male civil servant would pay from gross pay of £100 for family benefits (£1.50). The difference is adjusted down by 4p to compensate for some benefits that comparable workers get by being contracted in to the state earnings-related scheme.

The second reduction of £3.70 is to reflect the difference between benefits of the Civil Service scheme and those of the average comparable worker.

From gross pay of £93.90, the contribution for family benefits, averaged over male and female civil servants, is £1.30. So the average civil servant pays £7.40 towards his pension for every £93.90 of gross pay he receives.

The Government Actuary calculates that in return he gets pension benefits of £15.80 which equals 16.8 per cent of the £93.90 gross pay. So the remuneration package of pay and pension is £108.40. This is virtually the same as the £108.30 for the comparable worker, who pays only 4.3 per cent of gross pay for his benefits.

The committee shows its contempt for an evaluation of index-linked pensions by Sir Keith Joseph's Centre for Policy Studies and says "we did not regard this as a helpful contribution to public understanding of the problem."

Inquiry into the value of pensions; Cmnd 8147; HMSO; £3.90.

MAIN EMPLOYMENTS IN THE PUBLIC SERVICES

Group	Approximate number of employees
Parliament	
Ministers etc.	106
Members of Parliament	635
Judiciary	920
Armed Forces	
Senior Officers	200
Other officers and other ranks	320,000
Civil Service	
Higher Civil Service	950
Non-industrial grades	542,000
Industrial grades	154,000
National Health Service	
Administrative, clerical and secretarial grades, including top designated grades	121,000
Ambulancemen	17,000
Ancillary staff	210,000
Doctors and dentists etc.	90,000
Medical laboratory scientific officers	16,000
Maintenance workers:	
—electrical, engineering and plumbers	13,000
—building operatives	10,000
Nurses and midwives	425,000
Professions supplementary to medicine	25,000
Local Authority Groups	
Administrative, professional, technical and clerical staffs (APT&C)	543,000
Craftsmen	105,000
Firemen	39,000
GLC/ILEA APT&C grades	19,000
Manual workers	1,100,000
Municipal buses: platform, non-craft and maintenance	18,000
London Transport	60,000
Education	
Teachers	595,000
University, academic staff	43,000
University clerical staff	20,000
University manual workers	18,000
University technicians	18,000
Police	135,000

* All pensions are inflation-proofed by statute except for London Transport and university academic staff whose pensions are inflation-proofed under the rules of their schemes. Other university staffs come under a variety of schemes.

MAIN EMPLOYMENTS IN THE NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS

Group	Approximate number of employees	Provisions for pension increases
Chairmen and board members	300	Various
British Aerospace	77,000	Fixed percentage increase or increase in cost of living whichever is lower, although there may be further provision for discretionary increases up to the cost of living
British Airways board	54,000	Inflation proofed under the rules of the scheme
BBC	28,000	Fixed percentage increase or increase in cost of living whichever is lower, although there may be further provision for discretionary increases up to the cost of living
British Gas Corporation	104,000	Inflation-proofed in practice but this is discretionary
British Nuclear Fuels	15,000	Inflation-proofed under the rules of the scheme
British Railways	240,000	Some inflation-proofed under the rules of the scheme. Some inflation-proofed in practice, but this is discretionary
British Shipbuilders	70,000	Various
British Steel Corporation	140,000	Inflation-proofed under the rules of the scheme
Electricity Council	158,000	Inflation-proofed in practice but this is discretionary
National Bus Company	57,000	Inflation?proofed under the rules of the scheme
National Coal Board	310,000	Inflation-proofed in practice but this is discretionary
National Freight Corporation	35,000	Some inflation-proofed under the rules of the scheme. Some inflation-proofed in practice, but this is discretionary
Post Office	422,000	Inflation-proofed under the rules of the scheme
South of Scotland Electricity Board	13,000	Inflation-proofed under the rules of the scheme
UKAEA	14,000	Inflation-proofed under the rules of the scheme
Water Authorities	65,000	Inflation-proofed by statute

Britain's pensions: Their sources and how they work

THERE ARE two main sources of pensions in Britain and the way they operate contrasts significantly with the pension schemes of France and West Germany, which the Scott Committee looked at for comparison.

British pensions are provided by occupational pension schemes and the State.

About 11.8m employees (half the total number) were members of occupational pension schemes in 1979. Of these, 5.6m were estimated to be in the public sector—75 per cent of all public sector employees. About 6.2m were in the private sector, representing about 40 per cent of that sector's workforce.

The total expenditure of occupational pension schemes is about £5bn a year with nearly 4m people receiving pensions, 60 per cent of them former public sector employees or their dependents.

All employees must contribute to (and can expect a state pension from) the state scheme unless they belong to an occupational scheme qualifying for permission to contract out of the section that provides an extra pension on an earnings-related basis.

Everybody is entitled to a basic state pension (currently £27.15 for a single person), provided there is a satisfactory record of contributions.

For those who are not contracted out of the extra part of the state scheme, the additional earnings-related pension is available to people who have paid class 1 National Insurance contributions since 1978 on earnings between two limits. For maximum benefit, contributions must have been paid for at least 20 years (i.e. until at least 1998). The self employed cannot qualify.

The major part of occupational schemes, which usually form part of an employees conditions of service, is normally financed by the employer. The value of the difference between the benefits paid and the part of the contribution paid by the employee effectively represents an additional salary payment.

Some benefits are payable at an earlier age than others and some involve lump sum payments.

In France, the state scheme provides a pension of about 50 per cent of average earnings over the last 10 years (revalued up to retirement age in the same way as the British earnings-related pension), calculated on earnings up to a maximum ceiling revised annually. Extra contributions are paid to industry sector funds supervised by employers and unions—one for manual and low paid workers and one for managers and specialists.

Pensions are calculated on the basis of points reflecting the amount of the contribution and the ratio of the salary to the average salary at the time the contributions are paid. The theory is that revaluing points each year means that the value of a point will keep pace with inflation both before and after retirement.

The general effect so far means pensions for long service, lower paid employees of about 65 to 70 per cent of their revalued earnings. For managers and specialists the figure is about 55 to 60 per cent.

In West Germany, the state scheme is much more signicant than in Britain. Pensions range up to about 60 per cent of revalued average earnings to a maximum ceiling revised each year.

Employers operate supplementary schemes. Indexation is not guaranteed, but employers are bound to review pensions every three years with regard to the pensioners' needs and the company's financial state.

The arrangements in France and West Germany do not apply to civil and other public servants. Their pensions are normally linked to the pay of the people doing the work previously done by the pensioners.

Guessing game at Despatch Box

By John Hunt, Parliamentary Correspondent

UNTIL A few years ago, a strange silence would always descend on the Prime Minister and Chancellor of the Exchequer in the weeks before the Budget.

Even hardened Treasury Ministers have been known to flee in terror at the approach of an innocent journalist.

Fortunately, this has all changed and a period of purdah is no longer fashionable. Nonetheless, even by today's relaxed standards, the effects of the past week have rather odd.

On Sunday, the Prime Minister gave a lengthy TV interview in which she seemed to be thinking aloud about her economic strategy. Yesterday, with the Budget just four weeks away, she was billed to make a major speech in the start of a Commons economic debate.

These events created a whirl of speculation. Some prophesied a change in Minimum Lending Rate but none passed without any such announcement.

The guessing game continued as the Prime Minister rose at the Despatch Box. Perhaps there was going to be a change of policy and she would announce a new handout of public funds to hard-hit industries and regions?

But when she sat down 37 minutes later the only mystery remaining was why on earth the Government had organised the debate in the first place.

It turned out to be more like an extension of the normal Prime Minister's Question Time.

From Mrs. Thatcher, there was the familiar homily on the need to fight inflation, control public spending, maintain responsible wage levels and improve industrial efficiency.

Things momentarily sprang to life when Mr. Peter Tapsell (C., Horncastle) smoothly bowled a googly by asking if the Government had changed its policy—as one agency report suggested—and intended to bring down the level of sterling.

This had Mrs. Thatcher humming and hawing but then Mr. Dennis Skinner (Lab., Bolsover) stepped in with an abrasive warning that he and his colleagues would drive her out of office "either in this place or outside it."

The Prime Minister immediately seized on this and delivered a savage attack on Mr. Skinner claiming that he represented the "true face of the Labour Party" moving ever leftward towards an East European-type economy.

Problems of the high exchange rate temporarily forgotten, the Conservative backbenchers immediately united behind her with a full-throated roar of approval.

Mr. Foot's performance was almost as predictable. There were all the well-worn accusations which are thrown across the chamber at PM's question time twice weekly. The unemployment figures were the worst since the 1930s, the Government's monetarist policy was a recipe for doing nothing, etcetera, etcetera.

True, his speech was enlivened by the usual effective Foot gags. He heaped ridicule on Mrs. Thatcher's dismissal of the economic strategy of previous Conservative Governments which apparently consigned Eden, Macmillan and Home to the dustbin.

Yet, he said, the horrors of the Government's present policy made the earlier era of "stop-go" sound like a golden age.

He also got great mileage out of the absence of Mr. Edward Heath, the former Conservative Prime Minister, whose brooding figure was not there to loom over Mrs. Thatcher from below the gangway.

Mr. Foot got into difficulty, however, when Conservatives challenged him to spell out his alternative policy. He was reduced to a rambling disquisition about increasing public spending and services and cutting taxation.

Noticeably, he cautiously avoided any specific endorsement of the TUC's £6.2bn expansion programme.

Whatever the general opinion Mr. Foot at least seems to have thought the whole affair worthwhile. Apparently, he enjoyed himself so much that he is now suggesting that a similar debate should be held once a month.

Thatcher rejects change in economic strategy

BY IVOR OWEN

IN AN upbeat assessment of the prospects for the economy, the Prime Minister last night forecast in the Commons that Britain will emerge from the recession with many companies in a strong position to take full advantage of the opportunities for expansion.

But her insistence that in the meantime it must be "the mixture as before," with manufacturing industry in the front line in the battle against inflation, brought angry protests from Labour MPs convinced that nothing can now stop unemployment climbing to 3m.

Mrs. Thatcher, opening a major debate on the economy, delighted Tory MPs by the firm and uncompromising manner in which she dealt with a stream of hostile interruptions from the Labour benches. She admitted, however, that the Government's efforts to contain public spending had not been as successful as she had hoped.

Some spending increases, particularly on nationalised industries and unemployment benefit had been unavoidable.

Nevertheless she said Britain would come out of the recession with a substantial reduction in the underlying level of public spending.

To Tory cheers, the Prime Minister declared: "This will leave room for expansion in the private sector where most of the new jobs will be created."

She was adamant that the concern felt by the Government about employment—and this had been an important factor in last week's decision to provide £990m for BL—should not be read as signalling a change of course in Government policy.

"Selective help in a time of change is a vital part of our policy," she said. "But we shall not be deflected from our long term economic strategy."

Mrs. Thatcher conceded that she could not predict precisely where new jobs would materialise when the post recession expansion took place.

"But I can predict that they will come if we adopt competition policies, taxation policies and financial policies that promote the enterprise economy."

The Prime Minister scornfully rejected the demands made by the Opposition and the TUC for massive increases in public spending to reduce unemployment.

Bluntly asserting that this approach would not work, she contended: "It is not a recipe for more jobs. It is a recipe for more inflation and even fewer jobs."

Mr. Dennis Skinner (Lab, Bolsover) intervened to accuse the Prime Minister of deliberately following policies designed to force unemployment up to 3m as a means of subjugating the trade unions and the workers.

Amid protests from Tory MPs, he stormed: "That is the policy of this Government. That is why eventually we shall get her out, in this House, or from outside it."

To a roar of approval from the Government benches, Mrs. Thatcher retorted: "That is not true. It is just plain rubbish—the sort of rubbish we expect from Mr. Skinner.

"Clearly, from the latter part of his remarks, he is more interested in what happens outside this House than in the processes of democracy."

Mrs. Thatcher clashed with Mr. Skinner again when she disputed his claim that the cost to the Exchequer arising from unemployment on its present scale could be equated with the expenditure which would be incurred by a substantial job creation programme.

She maintained that the money spent on unemployment benefit (£1.2bn), and on associated Social Security (also £1.2bn), would not be nearly sufficient to create the necessary jobs.

The Prime Minister warned: "The costs of equipment, accommodation, supervisors and other overheads would put the total cost of such a scheme far, far above £2.4bn."

Industry's continuing concern over the strength of sterling was underlined by Mr. Peter Tapsell (C., Horncastle), who asked if it was the Government's intention to pursue a different exchange rate policy.

Mrs. Thatcher told him: "We have not got a positive policy for intervening in the exchange rate—intervention cannot resist the market for very long."

But she promised that the strength of sterling was something which the Government would bear very much in mind when taking other decisions—a phrase which some Tory backbenchers interpreted as an indication of favourable developments in next month's Budget.

Thatcher: scorned demands for increases in spending to reduce jobless

Skinner: accused Thatcher of deliberately forcing unemployment up

Foot blames first Howe Budget for industrial decline

BY MARGARET VAN HATTEM, LOBBY STAFF

MR. MICHAEL FOOT, the Opposition leader, yesterday singled out the Government's first Budget in 1979, and, in particular, its decision then to raise VAT to 15 per cent, as a major cause of Britain's present industrial decline.

Replying to the Prime Minister's defence of her Government's economic policies, he said the single-mindedness of the Government's determination to reduce inflation was now inflicting great injury on the economy and on individuals.

The Prime Minister was no doubt sincere in describing the struggle against inflation as the centrepiece of her economic policies. "But she hasn't been doing very well," he added.

"There was one moment when she wavered—when she and the Chancellor of the Exchequer introduced their first Budget—and it has had very serious consequences. No one could have called it a great anti-inflation Budget. It seems they found it more important to fulfil their election promises to one small section of the community than those to all the other sections."

Mrs. Thatcher's anti-inflation policies might succeed. They might even cut inflation back to the level of May, 1979, when the Government took office, or further. "But the results to British industry will be catastrophic," Mr. Foot said.

Replying to Mrs. Thatcher's rejection of the "tired old formulae of the Labour Government" he said her Government was now turning quietly to many of those formulae.

"Hardly a week goes by when a Government Minister does not come along saying he is going to spend £1bn on some tired old formula or other," he said. "One time it's British Leyland, the next time it's steel . . . a great deal of employment in this country is being sustained by this Government voting money for one of the tired old formulae of the Labour Party."

Mr. Foot questioned the Prime Minister's ability to understand basic economics. He said she insisted unemployment and inflation were irrevocably linked whereas the 1930s slump showed this to be untrue. So did the years 1945-68 when, despite 18 different efforts to reflate the economy, unemployment never rose above 2.5 per cent.

The Government, as the then Treasury Secretary Mr. John Biffen had remarked on a memorable occasion, "was disposed to be far too optimistic far too soon." But Mr. Biffen appeared to show no such tendency, said Mr. Foot.

He said if the rest of British industry were judged by the criteria according to which Mr. Biffen had found the Sunday Times to be unprofitable, and thus not subject to the law on monopolies, he would soon find an army of industrialists knocking on the back door for Government subsidies.

The rest of the Government, were much more sanguine in their outlook—indeed optimism seemed to be official policy, according to reports "from inside Number 10.

"I read it in Private Eye," Mr. Foot said to the evident delight of the entire Conservative front bench. "It comes from Denis himself—" I must admit the ability of everyone here to look on the bright side amazes me."

Private Eye now appeared to be required reading for the entire Cabinet and, indeed, for most people in the House, Mr. Foot said.

He said Mrs. Thatcher had dismissed suggestions put forward by the TUC

Williams may quit NEC next week

By Our Lobby Correspondent

MRS. SHIRLEY WILLIAMS is now expected to announce her resignation from Labour's National Executive Committee early next week. She is understood to have taken the first steps for resigning, and will probably be ready to make an announcement shortly.

Mrs. Williams will remain a member of the Labour Party. But her decision to leave the Executive — where she has fought so many battles with the Left—will come as another blow to Mr. Michael Foot, party leader, who had hoped he had persuaded her to think again before making any decisive moves.

Mr. Foot, together with his deputy Mr. Denis Healey, is continuing his efforts to stop individual members of the Council for Social Democracy making a break with Labour. His hope must be to exploit the differences between the eleven MPs who signed the Council's original declaration.

But yesterday it was clear the majority of Labour MPs felt the members of the Council had widened the gap between themselves and the rest of the party by their decision to publish the names of 100 of their supporters.

Included on the list were members of the Social Democratic Alliance, which has already been expelled from the Labour Party because it has put up candidates against Labour.

Some Left-wingers were trying to discover whether they could use this public alliance between the SDA and the Council as a way of forcing Mrs. Williams and her colleagues out of the party.

Despite their anger at the way they feel the Council members are drawing out the agony, most Left-wingers are anxious nothing be done to make martyrs out of its members. For this reason, moves so far to force the confrontation had been blocked. But yesterday the signs were that the Council's links with the Social Democratic Alliance would be raised at Monday's meeting of the National Executive's organisation committee.

Mr. John Golding, a member of the committee who had often sided with Mrs. Williams in the past, said yesterday that if the Council members did intend to stay in the Labour Party, it was totally wrong to associate with people who had declared themselves to be in opposition to the party. The most common reaction, however, of Labour MPs to the Council's list of supporters was to dismiss them as a "load of hasbeens."

Meanwhile, Mr. David Steel, Liberal leader, spelled out his plan for an electoral alliance between the Liberal Party and Labour's Social Democratic breakaway. If agreement could be reached on a common programme, he said, then the two might form a "Liberal and Social Democratic Alliance" in which each would retain its separate identity while having an agreement not to oppose each other's candidates in any one constituency.

Fresh Maze hunger strike threat

BY ELINOR GOODMAN AND OUR BELFAST CORRESPONDENT

REPUBLICAN PRISONERS in the Maze and Armagh jails in Northern Ireland warned yesterday they would renew their hunger strike from March 1 in an effort to get the Government to treat them as political prisoners.

In London, Mr. Humphrey Atkins, Northern Ireland Secretary, again repeated the Government's determination not to yield to the demands of the protesting prisoners.

In a lengthy written answer, he detailed the steps taken by the Government since the end of the hunger strike on December 18.

He said at no stage had protesting prisoners been accorded special privileges and that at all times they had been kept informed what was being done, and why.

The Republican prisoners sent a message out of the Maze prison claiming the promised progress towards allowing them to wear their own clothes had not taken place.

Evidence has mounted that IRA men in the Maze and their women counterparts in Armagh were increasingly angry about what they saw as obstacles being placed in the way of progress by the Government.

When the first hunger strike ended on December 18—with a compromise which seemed to let both sides claim victory—the "dirty protest" by 450 prisoners was expected to be phased out.

However, the prisoners say the reforms have not been implemented. They say hunger strikes will start again "if necessary" on March 1, the fifth anniversary of the Government's withdrawal of political status from Northern Ireland jails.

The National H Block Committee, which organised the street protests during the last hunger strike, is planning to renew its campaign of demonstrations simultaneously.

It is understood that if a new hunger strike goes ahead, only a small number of prisoners, possibly four, would be involved.

Although the prisoners called for the support of those who backed them last time it is unlikely they will receive anywhere near as much sympathy. Influential Roman Catholic priests have asked them not to go ahead with the threat.

Mr. Atkins said he regretted that successive steps taken last month had not led, as he had hoped, to the ending of the dirty protest. He said the Government would continue its efforts to bring an end to the protest but it would stand by the same principles by which it had stood throughout the protests at the Maze and Armagh Prisons.

Pressure to end monopoly on telecommunications

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE GOVERNMENT is coming under very strong pressure from its own backbenchers to open up the servicing of telecommunications equipment to private competition.

Over 110 Tory MPs have signed an early day motion calling on the Industry Secretary to break British Telecommunications' monopoly on the maintenance of telecommunications equipment in the same way as he is opening up the sale of it to the private sector.

The motion—which broadly supports the industry's own arguments—has the backing of two officers of the Party's backbench Industry Committee and the number of signatures are such that the Government cannot totally ignore it.

The Government is opening up the sale of telecommunications equipment, like switchboards, to the private sector in the British Telecommunications Bill now going through Parliament.

The Bill will also give the Secretary of State the power to issue licences relating to other aspects of the telecommunications business.

However, Sir Keith Joseph, Industry Secretary, has already made it clear he believes British Telecommunications should retain its monopoly on the maintenance of equipment.

The industry claims that the only explanation the Department of Industry has given for this decision is that there are technical difficulties involved

Changes planned to entry powers

BY ELAINE WILLIAMS

STATUTORY powers which allow Government inspectors the right of entry to businesses would be revoked or modified, Sir Keith Joseph, Industry Secretary, announced.

Altogether, 30 powers of entry would be revoked and a further 63 modified, he said in a Commons written reply. Arrangements were being made to scrutinise centrally all legislation relating to powers of entry to "ensure they do not impose an undue burden on business."

In December, 1979, Mrs. Thatcher announced the review of rights of entry for all non-tax inspectors. This followed the publication of a report by the National Federation for Self Employed called An inspector at the door, which said that 252 different powers of entry were enjoyed by 201 different types of Government inspectors.

The present changes "will be carried out in the course of department legislation programmes," Sir Keith said. They will cover only non-tax inspectors. The Government awaits the Keith committee study before it recommends any changes in tax inspectors' powers.

Mr. David Dexter, the federation's national chairman, yesterday welcomed the move. He said: "Growth in powers of inspectors has constituted a very real encroachment on the freedoms of the individual and acted as a deterrent to small businesses continuing in business or expanding."

Many of the rights of entry which are to be revoked relate to powers under various agriculture laws such as the Agriculture Statistics Act 1929 which gives powers to inspectors to enter a farm to collect statistics.

Need for neutron bomb in Britain 'unlikely'

FINANCIAL TIMES REPORTER

IT IS very unlikely that the neutron bomb will need to be based in Britain, the Prime Minister told the Commons today.

Mrs. Thatcher came under strong pressure during Question Time to give an assurance that the Government would not agree to the bomb being based in Europe.

She said the purpose of a neutron bomb was to counter massive concentrations of armour in the Warsaw Pact countries.

"Therefore, it would be very unlikely that such weapons would need to be based here," she said.

Mr. Michael Foot, Opposition Leader, challenged Mrs. Thatcher over suggestions that the U.S. Reagan Administration was considering producing the bomb for siting in Europe. It was an "extremely serious and dangerous suggestion," he said.

Mr. Foot asked Mrs. Thatcher: "Do you not agree that the one aspect of this matter that would be extremely dangerous for everyone in Europe would be that it could reduce the level of the nuclear threshold?"

"What steps will your Government now take to try to ensure that this and kindred weapons are never stationed in Europe at all?"

Mrs. Thatcher told him that so far, her Government had not been asked to look at any new proposal. But she said the U.S. Defence Secretary had said the allies would be fully consulted

Pym deplores Euro MPs' big travel costs

Financial Times Reporter

EURO MPs were told today by Mr. Francis Pym, leader of the Commons, that the Government "deplores extravagant travel."

Mr. Pym's remark followed criticism of a £250,000 trip by Euro MPs to South America, and the news that more European Parliament trips were planned to Sierra Leone, Japan and Australia at a further total cost of £750,000 to the taxpayer.

At Commons Question Time, Mr. Pym replied to a Labour backbencher's call for Government action against Euro-MPs "swanning around the world" at the taxpayers' expense.

"The Government does deplore extravagant travel by members of the European Parliament or members of any Parliament at any time," said Mr. Pym.

He did not think it was a matter for a Commons debate.

Mr. Arthur Lewis (Lab., Newham NW) had linked Press reports of the foreign trips with the Government's call for spending cuts.

"Is it not time this Government does something to control the wasteful expenditure of British taxpayers' money?" he asked.

The Government might suggest that Mr. Roy Jenkins, ex-President of the Euro-Parliament, should subsidise the foreign trips, he said.

Parliament next week

COMMONS

Monday: Employment and Training Bill, Second Reading. Debate on Control of Pollution (Special Waste) Regulations.

Tuesday: Atomic Energy and Armed Forces Bills, Second Readings. Debate on British Railways Board (Increase of Compensation) Order.

Wednesday: Debates on "The Government's attack on housing and the building industry." Legal Aid, Advice and Assistance in Northern Ireland, and Weights and Measures Orders.

Thursday: Education (Scotland) Bill, Second Reading.

Friday: Private Members' Bills.

LORDS

Monday: Wildlife and Countryside Bill, Committee. Disused Burial Grounds (Amendment) Bill, Report.

Tuesday: Energy Conservation Bill, Third Reading. Representation of the People (Variation of Limits of Candidates' Election Expenses) Order. Contempt of Court Bill, Report.

Wednesday: Debate on Liberal leader David Steel's Programme for Economic Recovery. Short Debate on the Continued Operation of Concorde Aircraft.

Thursday: National Film Finance Corporation Bill, Second Reading. Film Levy Finance Bill, Second Reading. European Assembly Elections Bill, Second Reading. Wildlife and Countryside Bill, Committee. Weights and Measures (NI Order). Legal Aid, Advice and Assistance, etc. (NI) Order.

Friday: Wildlife and Countryside Bill, Committee.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Temperature control

IN ANODISING and other metal finishing applications, the correct temperature of the acid tanks is crucial to the success of the process, says Alfa-Laval, which has just developed a range of small heat exchangers specifically for this purpose.

Heat generated in anodising has to be removed before the next operation can begin and this cooling process has traditionally been effected by using coils (placed in the bottom of the tank) through which cold water is pumped.

Problems can arise here because, with untreated water, there is a danger of the pipes furring up leading to loss of cooling efficiency. Another hazard is that the coil material can get caught up in the chemicals reaction. Servicing or maintenance of the system necessitates the tank being drained resulting in lengthy and expensive down-time.

By contrast, Alfa-Laval's system is mounted externally, and the units are built in modular fashion so that the number of plates can be matched exactly to the cooling requirement of each application.

Hot and cold media pass through the plates (which are made of stainless steel) in direct counter flow; the corrugations on the plate surfaces increase turbulence which, coupled with the thinness of the material, provides a high degree of heat transfer, and ensures no stagnant points within the system. This reduces the risk of fouling or corrosion and, says the company, eliminates servicing problems.

More on 01-560 1221.

A matter of taste

A PROJECT to give Britons a better cup of tea has won the support of a merchant bank and investment trust.

VGL Industries, maker of microprocessor-controlled vending machines, has received £1m backing from merchant bankers Baring Brothers and investment trust managed by Henderson Administration and Touche Remant. In return, these three organisations take up a 25 per cent interest in the company.

Mr. Terence Piper, VGL's managing director, said that the funding will allow him to double his workforce to over 150 before the end of the year with the hope of creating a further 350 jobs. By 1984 he hopes to increase his turnover from under £2m to £12m.

The vending machine is far more sophisticated than traditional ones since it can allow drinkers to vary the strength and taste of tea or the several other beverages it can be adapted to dispense. For seven basic drinks the taste can be varied to give up to 67 choices.

Already some models of this machine have been installed by companies such as Rank Xerox, British Petroleum and Guinness. Mr. Piper claims that his vended tea and coffee is far superior to that produced by tea ladies and has issued a challenge to companies to try out his device.

ELAINE WILLIAMS

Cut friction and wear, save £700m—experts

BY ALAN CANE

ENERGY SAVINGS in the UK alone could be as high as £700m annually if greater attention was paid to reducing friction and wear, according to two leading authorities on tribology.

Giving the James Clayton lecture at the Institution of Mechanical Engineers this week, Dr. H. P. Jost and Dr. J. Schofield argued that annual savings of between £468m and £700m could be achieved within seven years if existing tribological knowledge and technology was applied and some £12.3m spent over five years on research and development.

They complained that there was a lack of awareness of the role tribology—the science of interacting surfaces in relative motion—can play in energy conservation.

"Unlike their awareness of thermal factors, neither manufacturers nor users of equipment, nor Government nor the professional bodies have fully identified the part tribology can play in energy savings," they said.

Over half the savings could be made in the transport sector, the authors claimed, pointing out that an estimated £54.8m a year is spent simply on repairs, maintenance and replacing parts of motor vehicles.

They said that some of the losses are "design induced" whether for reasons of lowering production costs or eliminating the need to relubricate.

"An example is the universal coupling which, even in its simplest form, takes considerable energy to produce and which also contains nickel; a high energy material. Unlike its lubricated predecessor, which lasted the life of the car, the current version of the coupling with its one charge of special lubricant which cannot be replenished has a limited life—say two to three years. As a replacement item, it has excellent short-term financial benefits for manufacturers, distributors and garages, it is, however, an energy and material waster."

The authors reckoned that savings of more than £400m a year could be made through improvements in piston rings and transmissions together with and development outlay they calculated as somewhere over £7m spent over three to four years.

They added encouragingly: "In practical terms, these savings could make the 100 miles a gallon small family car a realistic probability, and together with some engine thermal improvements, an absolute certainty."

> 'In practical terms, these savings could make the 100 mpg small family car a realistic probability and with engine improvements a certainty.'

Drs. Jost and Schofield looked at the industrial sector in terms of power generation and turbines and manufacturing and process industries. They pointed out that 63 turbo-alternators in the UK are of 500 MW capacity and over and that each has 12-14 bearings. The loss through wear and friction in each bearing had been measured at 0.5 MW: "A saving of 15 to 20 per cent of this loss is believed to be conservative. If the sets are run for an average of 6,500 hours a year, the estimated saving of energy through tribology would be between £22m and £29.5m a year for the UK."

Overall, the authors thought almost £50m a year could be saved in power generation for a research and development layout of £693,000 spread over three years.

Savings in the manufacturing and process industries would be much higher—up to £140m a year for a research outlay of £5.1m. Lower friction in driving machinery gave immediate benefits at little cost: "A design change from hydrodynamically lubricated sleeve bearings in a five stand cold mill to oil mist lubricated roller bearings led to a reduction of absorbed friction from 15 per cent to 5 per cent and to total power savings on the mill of 1,127 hp a year."

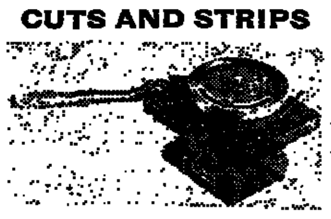
Among other recommendations, Drs. Jost and Schofield suggested that the Government should fund workshops in the university centres of tribology to develop a strategy for energy and materials saving.

They also suggested that the Science Research Council—which disseminates funds through its engineering board for research in tribology—should consider the extension of the programme to energy conservation through tribology.

The Institution of Mechanical Engineers, 01-222 7899, has details of the James Clayton lecture. Research in Tribology and Bearings is available from the SCR, 0793 26222.

NEWS IN BRIEF

CUTS AND STRIPS



CUTTING and stripping blades for use with the Eraser International Model RW3 multiconductor wire stripper have now been introduced by the company, based at Unit N, Portway Industrial Estate, Andover, Hands (0264 51347/8). Model RW3 is a band-operated double-function bench-mounted device designed to strip in one operation both the outer insulation of a multi-core cable and the insulation from the inner conductor wires.

Multi-core cables between 3 mm and 12 mm can be stripped, and with the new blades fitted this capacity is increased from 2mm to 14mm. The blades are arranged so that as the handle is pulled two front quadruple knives remove the jacket from the cable; then a pair of stripping blades remove the insulation from the two, three, four or more inner conductors. The length of both outer and inner insulation to be stripped can be exactly and independently adjusted.

LIGHTING

FOLLOWING ITS promotions of products for the armed forces and security services, Dimex has now launched a range of lights for the consumer market with particular interest for the camper, sportsman, motorist and householder.

Used as a searchlight or as a suspended soft, incandescent roof light for tents is the Mini-Sport which retails at £6.95.

Special characteristic of the Companion light (priced at £19.50) is its sealed batteries which do not weep and can be recharged hundreds of times, says Dimex (021 704 3551).

STOPS DAMP

ABLE TO be installed with minimum disturbance and without highly skilled labour is a range of grp mouldings designed as self-supporting liners inserted between roof tiles and concrete guttering.

When in position, under the original guttering, the product "Guttagard" promises to seal the walls from rain water draining off the roof.

Made by Reliant Motor Company, Tamworth, Staffs (Tamworth 4151).

SAFETY

NEOPRENE-COATED curtaining to protect welders from arc eye flash is now offered in a weight of 16 oz per square metre by Tutor Safety Products, Sturminster Newton, Dorset (0250 72821). Known as Neoglass 120, it has the same thickness of Neoprene coating as Neoglass 180 which, with a heavier inner layer of woven glass fabric, weighs 26 oz per square metre.

The material acts as a tough screen against sparks and droplets of molten metal and its resistance to flame is Class 1 (BS 476 part 7). Both types of Neoglass are now available on self-standing frame sections measuring 6 ft by 6ft, or 6 ft by 4 ft. Frame supports are of 19 gauge galvanised steel tube 1 in in diameter. Tutor Safety Products is a part of Rentokil.

MATERIALS

AN ENERGY-SAVING material which is claimed to be a successful combination of inorganic substances and organic polyolefines derived from petrochemicals has been developed by the West German company Sapcofil Kunststoff Compounder Betriebe, Halkestrasse 12, 4030 Ratigen 1 (02102 474748).

Marketed under the name Elanofil, the material is claimed to be competitive in terms of price and quality with polypropylene, polyesterol, polyethylene and other petrochemical derivatives. It is available in various forms suitable for extrusion, injection moulding, foils, fibres, deep-drawing, etc.

In injection moulding a shorter cooling-off time and an output rate 20-30 per cent higher because of Elanofil's superior heat conductivity are claimed. Lower specific heat is claimed. Since only 50 per cent of the material is derived from petrochemical by-products it is less subject to oil shortages and oil price increases, says Sapcofil.

Mexico has adopted a fresh strategy with its latest steel project in the light of earlier experience. William Chislett reports

The race to satisfy a growing appetite

Jorge Leipen (left) learned valuable lessons from the problem-ridden fir st stage of the Sicartsa project (above) and progress of stage two should therefore be smoother. From a fishing village of 4,000 six years ago, the town's population is now 70,000

EXECUTIVES like Jorge Leipen, head of Mexico's state steel sector, are a rarity in today's declining world steel scene. While the captains of steel industries in the recession-hit developed countries are having to adjust to hard times by shedding labour and reducing production, Leipen's problem is quite the opposite.

Mexico's oil-driven economy is growing so quickly, by between seven and eight per cent in real terms for the third year running, that the country has developed an insatiable appetite for steel. According to Mexico's national steel plan, steel demand will triple by 1990 to 26m tonnes.

Working to a national programme which stresses the need to suppress steel imports, Leipen intends to meet such growth by boosting state steel production from 4m tonnes to 18.5m tonnes over the next decade, and national production from 7.1m to 24m tonnes.

It is a daunting task, but Leipen believes that the goal is not impossible to realise. "Japan produced less steel after the war than we do now and look how quickly its production has surged," he said.

The tremendous drive, which privately steel officials admit is far too ambitious, went into first gear recently when work started on expanding the Sicartsa steel mill at Lazaro Cardenas, on the Pacific coast.

Naked and barefoot Mexican Indian workers are clearing tightly-knit, snake-infested jungle with machettes (long knives) in preparation for the second stage of Sicartsa. This will increase liquid steel capacity by 2m tonnes to 3.3m tonnes at a cost of $2.2bn (1980 prices). By the time the expansion is finished in 1984, the current cost will be at least $3bn. The finished product will be all plate steel compared with non-flat products in the first stage.

Other workers, with sombreros firmly on their heads to protect them from the fierce sun, are up to their necks in lagoon water preparing the topographical survey. Huge lorries race up and down the dusty, bumpy tracks carrying loads of gravel from the nearby Rio Balsas to fill in the lagoons, which are inhabited by crocodiles.

The gravel is pumped from the river to a central loading place through a pipe which is half a mile long and 3 ft wide. Over 3m cubic metres of gravel will be moved during the preparation of the site.

When the lagoons have been filled in, soundings to a depth of 200 ft are made in order to determine the soil structure and seismic risks since the area is subject to earthquakes.

Flanked by the blue ocean and with a dramatic backdrop of mountains, the Sicartsa site is planned to have an eventual capacity of 10m tonnes.

Sicartsa is only the hub of a vast, decentralised industrial development area which is slowly rising in Lazaro Cardenas. The town named after the General who nationalised Mexico's oil industry in 1938, was a sleepy little village of several thousand people when the first stage of Sicartsa was built in the early 1970s. Fishing and cultivating tropical fruits were its mainstay.

Now, the population has grown to 70,000 and projections as high as 1m have been made for the year 2000, depending on how quickly the area is developed.

Apart from Sicartsa, two Japanese steel companies, Sumitomo and Kobe Steel, are building respectively a joint venture large diameter tube mill and a joint venture forging and casting mill. Pemex, the state oil concern, is setting up a fertiliser plant and the naval base, sited 140 miles down the coast at Acapulco, will be relocated at Lazaro Cardenas.

But it is the steel expansion which takes pride of place and which, more than anything else, symbolises the tremendous drive now taking place to transform Mexico into an industrialised power.

Such an expansion is an immensely ambitious task for any country, particularly a developing one like Mexico. But Mexico has already come a long way since Sicartsa's first stage, mainly thanks to the economic benefits of its oil, and the lessons learnt from the initial project.

To the outsider, the economics of building a steel plant in these days of excess capacity and dumping prices probably do not make sense. Last year it was cheaper for Mexico to import steel since it paid low prices. But the bill for imported steel was still about $1bn.

The Mexican Government looks at the steel problem from the employment point of view as well as in strictly economic terms. The creation of jobs, made possible by the new oil wealth, is now the number one priority in Mexico where unemployment and under-employment are estimated at over 40 per cent.

The Sicartsa expansion will create 7,000 extra jobs directly and many more in related industries.

"If we decided not to expand our industries just because it is cheaper to import we would all end up crossing the Rio Grande (the river which divides the U.S. from Mexico) in search of work," says Juan Warman, the technical sub-director for Sidermex, the holding company for the state steel sector.

But apart from the employment element, steel projects in Mexico are now much more viable, for a combination of reasons.

First Mexico's oil wealth gives the country the financial muscle to shoulder large projects. Secondly, Mexico's leading private steel company, Hylsa, many years ago patented a world-famous direct reduction process —the Hyl process—for steel production which uses natural gas. This is of particular significance in view of the fact that the country is as richly endowed with natural gas as it is with oil; both have been more fully exploited in recent years.

The Hyl process was pioneered in 1957, but it could not be used in the first stage of Sicartsa because Mexico at that time did not have a large surplus of natural gas. The gas for stage two will be pumped from Salamanca, over 250 miles away.

These factors, coupled with the experience which Leipen and his colleagues learned from the problem-ridden first Sicartsa stage, should enable stage two to proceed more smoothly. As Leipen says, "Mexico is eating up steel. We have to get a move on."

Lessons of experience

THE PROBLEMS which beset the first stage of the Sicartsa steel project can be broadly divided into three categories: those related with the construction; the complex financing arrangements; and those of a social nature caused by the sudden changes brought about by rapidly industrialising an unprepared rural area. All three problem areas were related.

At the time when Sicartsa stage one was built—between 1972 and 1976—Mexico was a much poorer country. It was a net importer of oil and had few spare resources for large projects. Stage one was criticised for being extravagant.

This situation led Mexico to seek World Bank and Inter-American Development Bank financing for the project, as well as a large number of bilateral loans. Twenty-five per cent of the cost of the initial project came from equity capital, supplied by the Government, and the rest from debt.

The way in which the first stage was financed led to the participation of so many countries and companies that the project was rendered unwieldy with consequent operational problems.

World Bank procurement rules are rigid, and all major process plant packages had to go out to international bidding. In addition, the bilateral loans restricted the major part of the spending to those countries which supplied funds.

In all, 15 countries were involved, leading steel officials to call the Sicartsa first stage a "United Nations." The concentrator is French, the pelletiser German, the coking plant Japanese, the continuous casting system Swiss, the basic oxygen furnace Austrian and so on.

The lack of interchangeability of parts has complicated its running, despite efforts made to rationalise and standardise components.

According to one steel official, there were 7,000 contracts in the first stage, which created a mountainous pile of paperwork.

Stage two, insists Leipen, bears no resemblance to the first.

The World Bank will not be involved. The Inter-American Development Bank might be at a later stage, since its policies are more acceptable to Mexico. The procurement policy for the second stage will be tender by selective invitation, and not international pre-qualification with subsequent bidding.

The debt-equity ratio will also be reduced to a one-to-one basis, a rare occurrence for Mexico which traditionally has always sought to borrow as much as it can.

Fifty per cent of the cost of the second—as against 25 per cent in the first stage—will come from the Government increasing the equity capital in Sidermex, the holding company for the state steel sector. A further 30 per cent will come from export credits, and the final 20 per cent from international or domestic commercial loans.

Sidermex is also seeking to extend its long-term loans for the second stage to over 20 years and to have longer grace periods. A further advantage is that Mexico is now in a much stronger position to borrow. Its international credit risk is now much more on a par with developed countries—such as Denmark —than with its Third World counterparts.

Victory

"We no longer have to go cap in hand as we did before," says Leipen. "It's quite the reverse. Banks are now falling over themselves to lend us money."

Relieved to a larger extent than in the first stage of the financial problem, Leipen is adopting a multi "turnkey" package approach to the project.

The idea is to divide the second stage into five or six turnkey packages, compared with some 60 in the first stage, allowing construction to be phased more efficiently and the plant to be built more quickly.

Foreign companies involved so far are Dravo Corporation (U.S.) and Creusot Loire Entreprises (France) — both of which have joint ventures with Sidermex — Man/GHH (Germany), Kawasaki and Nippon Steel (Japan).

Apart from representing a victory for Mexican technology, the use of natural gas in the Hyl process relieves the government of the headache of having to import more coal. Sidermex pays a mere 28 U.S. cents per 1,000 cubic feet, which is 17 times less than the U.S. pays for Mexico's exported natural gas and is only a seventh of the current equivalent coal price.

But, while Mexico is showing that it has considerable technical expertise there still remains the human problem at Sicartsa. The shortage of skilled labour, and the social problems associated with adjusting to the rather inhospitable landscape, have severely impeded the working of the first stage.

The plant is now in its fifth year of operation, but productivity is still low. In 1980 production per man was 85.7 tonnes compared with 208 tonnes in the EEC steel industry, where there is considerable over-capacity. Total liquid steel production at Sicartsa last year was 800,000 tonnes, only 66 per cent of capacity. (By contrast, the mill run by Hyulsa at Puebla, runs at 95 per cent capacity.)

Yet even this productivity level was four times greater than in 1977.

The chief reason for low productivity has been the poor living conditions in Lazaro Cardenas which have not encouraged people to stay very long at their jobs.

Thousands of poor workers arrived from all over Mexico in search of work during the building of the first stage, but the little town was unprepared for such an influx. There were no schools, no clinics, very few houses other than thatched huts, unpaved roads and no amenities on which to spend wages that had been hard earned in the sultry climate.

Now conditions have greatly improved. In 1980 the annual turnover of the workforce was 11 per cent, compared with 45 per cent in 1977. Most people now live in little red bricked bungalows, and have access to brand new cinemas and a hospital.

But there is still an alcoholism problem, one of the reasons why there was still an absentee rate of 12 per cent last year, according to Gabriel Magallon, the general manager of Sicartsa.

One of the ways management is trying to encourage greater productivity and attendance at work is by offering more incentives at Sicartsa than in other steel mills in Mexico. If a worker goes a month without missing a day, he earns a bonus of up to 15 per cent of his wage, and up to 38 per cent is offered for meeting production targets.

Conditions like these would surely bring a rueful grin to the faces of British Steel's management—and to its workers.

Giving the customer pride of place

Christopher Lorenz on how companies are relating quality to design, marketing and manufacture

LEARNING FROM THE JAPANESE — PRODUCT QUALITY

QUALITY experts are partly to blame for top management's failure to appreciate the crucial importance of product quality —they insist on using jargon which is incomprehensible to the busy executive. But the lack of impact of the "quality function" in many companies is also often due to its mislocation within the corporate hierarchy, as just an adjunct of the production function, with little or no relation with either design or marketing. Again, this is partly the fault of the quality specialists themselves.

First the jargon. When advocates of product quality address top management, they tend to talk about the "cost of quality," or about "quality costs." At 5, 10 or 15 per cent of turnover (whichever applies to the particular company), "our quality costs are far too high," say the specialists. The top manager naturally agrees.

What the specialist actually means is exactly the opposite: that the cost of "unquality" is so remarkably high. Every specialist has to be forgiven his little bit of profession-protecting jargon, but even the most extreme computer buff stops short of saying the precise opposite of what he really means.

The inelegant but crystal-clear term "cost of unquality" comes from R. M. McRobb, until 1979 quality manager with the Raleigh cycle division of Tube Investments, and now an independent consultant. He breaks the overall costs into those resulting from failure of products during manufacture or use, and the cost of inspecting and testing products because of the probability that some of them will fail. Against this, he sets the costs of mechanisms which will prevent defects and failures occurring in the first place.

In the traditional breakdown, all three items would be added together as part of the "cost of quality," thus confusing the poor general manager still further by linking what McRobb claims is the minimal price of defect-prevention with the extremely onerous costs of detecting and repairing defects which have not been prevented.

The problem of jargon also surrounds the use of the word "quality" itself, and leads us into the problem of the frequent mislocation of the "quality" function, and the consequent failure of many western companies to grasp the quality nettle with sufficient firmness.

In his book "Quality is Free," the ITT quality pioneer Phil Crosby defines the cost of quality as "the expense of doing things wrong." So far, so good; all very clear. Then he goes on: "It is the scrap, rework, service after service, warranty, inspection, tests, and similar activities made necessary by nonconformance problems."

But nonconformance with what? This apparently abstruse question actually provides the key to an understanding of what quality is all about.

The traditional engineering view is that a product's quality is adequate when it conforms to the specification laid down for it by the designer. This view represents what Dr. Joseph Juran, the guru of quality specialists (see Wednesday's article in this series), calls the "reliability movement."

Juran's own, more ambitious, definition is "fitness for use," or "meeting the needs of users." Somewhat more clearly, the more recent official U.S. and British definition is "the totality of features and characteristics of a product or service that bear upon its ability to satisfy a given need." Conformance with customer requirements, in other words, as Crosby was suggesting.

More significant than the shifting meaning of the term "quality" has been a change in the position and role of the quality function within many companies. Dr. John Groocock, vice-president and director of quality for ITT Europe until he was headhunted last year to build up the quality function for TRW, the U.S. conglomerate, sees the concept of quality, and the position of the quality function within the corporate hierarchy, as having moved through two phases, and as now embarking on a third.

Ambitions

● If "quality" is defined in the sense of "conformance of manufacture with the design specification," then it will be seen as primarily associated with manufacture. This implies the need for a quality control function.

● If the meaning is broadened, to include "conformance to the defined requirements of the customer" (with the definition being done by either the design or the marketing functions, or both together), then it clearly takes in both manufacture and design. In theory, at least, this broadens the quality function from control to assurance.

● The third stage is to bring marketing — or at least market research — into the nexus as well, so that the quality assurance function monitors and influences the company's definition of its customers' requirements.

At ITT, where the quality function has been distinct from manufacturing for at least 15 years, it has moved through the second stage and into the third. Few other companies in Europe or the U.S. are at such an advanced stage, but a handful go even further by interpreting "quality management" to include the continuous setting of new standards for their products, and hence the expanding of the marketplace.

It is only when a company enters the third stage that it is really likely to satisfy the exalted ambitions of Dr. Juran, Phil Crosby, John Groocock and others, and be able to pose a serious challenge to the Japanese.

This is the final article in the series on quality circles and product quality. The previous articles appeared on January 26, 27, 28, 30, February 2, 3 and 4.

The editor is king . . or is he?

BY DAVID PALMER

"A COMPANY may by ordinary resolution remove a director . . . notwithstanding anything in its articles or in any agreement between it and him." *Companies Act, 1948, section 184 (1).*

"On editorial independence, the editors shall not be appointed or dismissed without the approval of the majority of the independent national directors." *Mr. John Biffen, January, 1981.*

Supposing that Mr. Rupert Murdoch wins control of Times Newspapers; and supposing that Mr. Murdoch, or any other purchaser for that matter, falls out with the editor of the Times or the Sunday Times. Then what?

Then, we have all been assured by Mr. John Biffen, the UK Trade Secretary, the editor's position is protected by a sort of corporate punch bag in the form of the independent national directors.

But is it as easy as that? Supposing that the new owner was determined to rid himself of his editor. The legal opinion I have consulted is agreed on one thing—that any attempt to do so would raise an enormous stink.

Security

But it is also surprisingly unanimous on the view that Mr. Biffen's conditions for the merger do *not* give the editor the sort of security and independence that they may appear to at first sight.

To begin with, the independent national directors of The Times could all be dismissed under section 184 of the 1948 Companies Act. This would, of course, be in breach of the Articles of Association. But section 184 can override a company's Articles of Association, which represent a contract between shareholders. Neither the Times's national directors nor the editor are shareholders.

The editor's employment contract might then be the legal barrier that would stand between the owner of the papers and the editor's dismissal. It would be possible to write a clause into that contract requiring any dismissal to be subject to the agreement of the independent national directors (assuming they were still *in situ*), which might strengthen his position. But without such a clause, the editor would only enjoy limited rights under the Employment Protection Act.

Mr. Biffen's legal advisers must have been aware of all this when they drafted the conditions on which he withheld a reference to the Monopolies Commission. Of the five conditions, two are carefully framed as *conditions precedent*—that is conditions that have to be met *before* the merger takes place, but which do not come within the scope of the Fair Trading Act once the merger is consummated. The two conditions precedent are the ones relating to the role and appointment of the independent national directors, and the role and appointment of the editors of The Times and Sunday Times.

Put into layman's language, what this means is that the national directors' and the editors' positions are subject *only* to the laws governing Articles of Association. They are *not* subject to article 62 of the Fair Trading Act, where breaches of conditions for merger are subject to up to two years in prison and/or a fine.

What Mr. Biffen has done is to place the weight of Government opinion behind the *principle* of editorial independence, but not to place the full force of the law behind it. That in itself is an act of importance. "Editorial independence" of the kind enjoyed by the editors of several national newspapers in Britain is a rare and dying flower and needs all the protection it can get.

Independence

If the journalists on The Times and Sunday Times want to entrench the independence of their editors and national directors any further, they should be examining the articles of association of the Economist. Here a special class of *shareholder* (as opposed to director) has been created to protect the independence of the paper and its editor. Such a solution would overcome the limitations created by section 184 of the Companies Act. Whether it would overcome all the potential conflicts that could arise between a new owner and the editor of a paper losing money at the rate of The Times is quite a different matter.

The chance to bring an area back to life

BY ANTHONY MORETON

AROUND BRITAIN

LIVERPOOL

FEW CITIES need the impetus promised by an enterprise zone with quite the intensity of Liverpool. Last month's unemployment figure reached 16.1 per cent. There are almost as many people out of work on Merseyside as in the whole of Wales.

Nor, unfortunately, is that the end of the story. The present jobless figures in the city do not take into account some 1,500 who are threatened at Tate and Lyle or some other redundancies in the pipeline.

It is not surprising, therefore, that the Government should have chosen Speke as the site for one of the 11 enterprise zones to be set up in the UK, areas in which rates will be abolished and 100 per cent allowances granted on all commercial and industrial building. The intention is to use these carrots to stimulate investment in the designated areas.

The pity about Speke is that its enterprise zone is taking so long to overcome the necessary administrative procedures and come into operation. The Government has still to give the official go-ahead for the zone. Because of the long process involved in translating the scheme from plan to reality, it is unlikely that Speke will be ready to start before the autumn at the earliest.

A consequence of this is that it has already lost one potential client. Goodlass Wall, the Valspar paint company which has a main plant right outside the boundary of the proposed zone, wants a site of about 7,000 sq. ft. for a computer bureau. It looked at Dunlop's former training centre, which is within the boundaries, but cannot wait until the autumn.

The area proposed for the enterprise zone lies towards the southern end of Liverpool, about six miles from Pier Head and the commercial centre of the city. It is right opposite the main entrance to the airport and when the new runway becomes operational some 107 acres of the old airport land could be added to the zone.

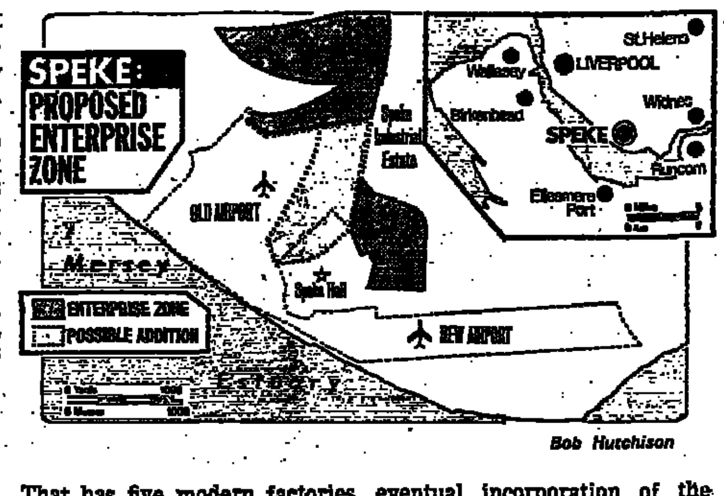
Such an addition would be widely welcomed, partly because Speke is one of the smallest zones. When Sir Geoffrey Howe unveiled them in his Budget last year it was envisaged that the zones would comprise some 500-600 acres; without the additional airport land Speke has only 322 acres.

Size is not Speke's only problem. The zone is dominated by two massive, empty plants: BL's No. 2 plant, which used to be the Triumph body plant covering 102 acres; and Dunlop's former tyre works, a 70-acre site. At their peak these two provided jobs for more than 5,000 people.

Each plant has just over 1m sq ft of factory space. The BL shops stretch almost as far as the eye can see and both factories present considerable problems for any developer. There are some small workshop sites—it was one of these that Goodlass Wall wanted—but these are the exception. A company that attempts to convert will have an expensive operation on its hands.

This is acknowledged in the prices being asked. The BL plant is being offered at 50p a sq ft and at Dunlop, where the buildings are considerably older, the charge is 30p. Not surprisingly, these charges, together with the inducements the Government has made available in enterprise zones, have led to a steady flow of inquiries; also not surprisingly, the flow has yet to produce anything tangible.

Small units are what industry wants, as is demonstrated by an English Industrial Estates Corporation park of 30 acres nearby.



Bob Hutchison

That has five modern factories ranging in size up to 25,000 sq ft. The two smallest units have been let, one of 10,000 sq ft is under offer and only the larger two—15,000 sq ft and 25,000 sq ft—are awaiting tenants.

This small estate has room for at least two more tenants and is one of the few places in the enterprise zone which could provide a new home for an industrialist.

There is other space available, especially on the Speke Industrial Estate—where MFI, Metal Box and Timberland are already in occupation. But the main hope for the success of the enterprise zone must be the open storage land towards the north of the area and the eventual incorporation of the unwanted land within the airport's boundaries.

The airport would, however, require investment in its infrastructure before most of the land could be developed. The local authorities complain that they have no resources for such a development. But if this work is delayed—and if the land is not incorporated very soon—a potential entrant would not get the maximum 10-year benefit which will accrue from the designated life of enterprise zones.

So the longer it is before the land is developed, the less attractive it will become to a potential user.

There is one bonus point, though, attaching to the enterprise zone. Part of Liverpool's docklands, together with some land across the Mersey in Birkenhead, has been designated as the Merseyside Development Corporation, a high-powered "quango" headed by Mr. Leslie Young, chairman of J. Bibby. This corporation has been given a remit to bring the docks—once the most important in Britain outside London—back to life.

Reclaiming the docklands, which lie to the north of the enterprise zone, would pump a massive injection of new private capital, as well as some Government money, into the heart of Liverpool. This spending would be bound to rub off to some extent on Speke, especially as many of those arriving in Liverpool will come by air and Speke Airport faces directly onto the enterprise zone.

Such an association would not be unwelcome to the enterprise zone. One of the difficulties it faces is overcoming the popular image of Liverpool as being populated by a feckless, strike-prone work force. The large majority of its factories, in fact, work without any trouble, but the image persists. The assurance that comes from new investment would go a long way to giving Liverpool a new persona that it badly needs.

Return of Spartan Missile

RACING

BY DOMINIC WIGAN

SPARTAN MISSILE, many people's idea of the best long term prospect for the Grand National, and an Aintree ride coveted by Jonjo O'Neill, reappears at Sandown this afternoon.

The John Thorne owned, trained and ridden nine-year-old is in the line up for the Wilfred Johnstone Hunter's Chase in which he comes up against Dancing Brig, Fury Boy and Sun Lion among others.

Spartan Missile has always excelled here and is bidding for his sixth course victory. But it could well be, as was the case last season, he will need this, his first run, to bring him to concert pitch. Bearing this in mind I do not believe he will represent betting value in a market which will see him at cramped odds in view of that Grand National support.

A more interesting betting proposition seems to be the Sunny Way gelding Sun Lion. This locally trained 11-year-old overcame a number of energy-sapping jumping errors and overweight at Warwick almost exactly a year ago to initiate a double completed by a 20 lengths Plumpton victory over Coolishall.

At this afternoon's other meeting, Kelso, where it is a Racegoers Club concession day, first season trainer Michael Dickinson, will be looking to increase his tally. Dickinson, an odds on chance to wind up the campaign with more winners than any other trainer, and already at the head of the field with 52 successes, has obvious hopes in both Waite and Basil's Choice.

The 11-year-old Waite, the senior member of the Ancrum Novices' Chase field, has undoubtedly earned a return to the winner's enclosure.

Waite, who finished a two and half lengths second to Highway Dual in Newcastle's Teal Novices Chase, when the pair finished 25 lengths clear of third placed Ellen Louise, should comfortably reverse placings with the winner on 10lb better terms.

Half an hour later Waite's junior stable companion Basil's Choice, will clearly prove a force in the second division of the Maxton Novices Hurdle.

SANDOWN
1.30—Killiney Lad
2.00—Socks
2.30—General Election*
3.00—Sun Lion
3.30—Crouton
4.00—Just Once More

KELSO
1.45—Gay Walk
2.45—Waite*
4.15—Basil's Choice**

TV/Radio

† Indicates programme in black and white

BBC 1

9.05 am For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 How Do You Do? 2.02 For Schools, Colleges. 3.20 Ein Ddoe. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Undercover Elephant. 4.25 Jackanory. 4.40 Think Again. 5.05 Grange Hill. 5.35 The Perishers.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide, including 6.45 Sportswide.
7.00 The Superstars.
8.00 The Walls of Jericho.
8.50 Points of View.
9.00 News.
9.25 Ice Skating: European Figure Skating Championships.
10.15 Peter Skellern (London and South East only).
10.45 News Headlines.
10.50 Royal Heritage.
11.50 Late Film: "Subterfuge," Joan Collins.

All Regions as BBC-1 except at the following times:

BBC Cymru/Wales—1.45 pm O Dan y Mor. 2.02-2.22 I Ysgolion: Hwnt ac Yma. 3.00-3.55 Snooker (Welsh Professional Championship). 4.40 Fred Bassett. 4.45-5.05 Siams Sionc. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.30 Sawcer. 8.00 Tomorrow's World. 8.25-8.50 Triangle. 10.15 Week in Week out. 11.05 News for Wales. 11.06 Royal Heritage. 12.05-12.35 am Snooker.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.15 The Evergreen Years. 10.45-10.50 News for Scotland: National News.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene around Six. 10.15 Spotlight. 10.45-10.50 News for Northern Ireland, National News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich)—Weekend; Midlands (Birmingham)—Midlands Tonight; North (Leeds)—Politics North; North East (Newcastle)—Coast to Coast; North West (Manchester)—Home Ground; South (Southampton)—The Pacemakers; South West (Plymouth)—Running a Soccer Club; West (Bristol) The Tolstoy Inheritance.

BBC 2

11.00 am Play School.
†5.40 Harold Lloyd in "Number Please" and "Off The Trolley."
6.00 Monkey.
6.45 Speak for Yourself.
7.10 Mid-Evening News.
7.20 Oxford Road Show.
7.55 In The Country.
8.25 Under New Management?
9.00 Playhouse.
10.50 Newsnight.
11.35 Friday Night . . . Saturday Morning.

LONDON

9.30 am Schools Programmes. 12.00 The Magic Ball. 12.10 pm Once Upon a Time. 12.30 A Better Read. 1.00 News. 1.30 Thames News. 1.30 Together. 2.00 After Noon Plus. 2.45 Friday Matinee: "How To Break Up A Happy Divorce." 4.15 Dr. Snuggles. 4.20 The Adventures of Black Beauty. 4.45 Animals in Action. 5.15 Clapperboard.
5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 Family Fortunes.
7.30 Vegas.
8.30 The Gaffer.
9.00 Second Chance.
10.00 News.
10.30 Benson.
11.00 The London Programme: Police Complaints.
11.35 Mannix.
12.30 am Close: Personal choice with Sir Neil Cameron.

All IBA Regions as London, except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Houseparty. 2.25 Friday Film Matinee: "Stolen Hours," starring Susan Hayward, Michael Craig and Diane Baker. [illegible]

ATV

1.20 pm ATV News. 5.00 ATV Today. 7.30 Charlie's Angels. 11.00 ATV News. 11.05 "My Undercover Years with the Ku Klux Klan."

BORDER

1.20 pm Border News. 12.45 Matinee: "Operation Sunshine," starring Donald Sinden. 6.00 Lookaround Friday. 6.30 Survival. 7.30 Charlie's Angels. 10.30 Your MP. 11.00 Quincy. 11.55 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 12.45 The Friday Matinee: "The House of the Seven Gables." 6.00 Channel Report. 6.30 Encore. 6.55 What's On Where. 7.30 The Incredible Hulk. 10.28 Channel Late News. 10.35 Soap. 11.05 S.W.A.T. 12.00 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.25 Friday Matinee: "Murchison's Creek." 6.00 North Tonight including Sportscall. 7.30 Charlie's Angels. 10.30 Points North. 11.30 Police Surgeon. 12.00 [illegible] 12.15 am North Headlines and Road Report.

GRANADA

1.20 pm Granada Reports. 2.00 Live From Two. 2.50 Friday Matinee: Diane Cilento in "The Angel Who Pawned Her Harp." 5.00 Granada Reports. 6.30 Kick Off. 10.30 A Week on Friday. 11.00 [illegible]

HTV

1.20 pm HTV News. 2.00 Houseparty. 2.25 The Friday Matinee: "Bachelor of Hearts," starring Hardy Kruger. 6.00 Report West. 6.30 W.K.R.P. in Cincinnati. 7.30 Chips. 10.28 HTV News. 10.35 Report Extra. 11.05 Soap. 11.35 Charlie's Angels.

HTV Cymru/Wales—As HTV West except: 9.35-9.50 am Am Gymru. 12.00-12.10 pm Ffalabalam. 4.15-4.45 Golwg Ar Sarn. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35-11.05 Outlook.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 2.45 Friday Matinee: "The Doberman Gang." 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 7.30 Thingummyjig. 10.30 Ways and Means. 11.00 Late Call. 11.05 Movies Through Midnight: "The Chastity Belt," starring Tony Curtis.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 "The Pajama Game," starring Doris Day. 5.15 Gambit. 6.00 Day by Day. 6.00 Scene South East (South East Area only). 6.30 Out of Town. 7.30 Charlie's Angels. 10.30 At the End of the Rainbow. 11.05 Benson. 11.35 The Late, Late Show: "Hugs and Kisses."

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 12.45 Friday Matinee: "Top of the Form," starring Ronald Shiner and Anthony Newley. 6.00 North East News. 6.02 Sportstime. 6.30 Northern Life. 10.30 North East News. 10.32 Film of the Week: "The Horsemen," starring Omar Sharif and Jack Palance. 12.30 am Countryside Christian.

ULSTER

1.20 pm Lunchtime. 2.45 Friday Matinee: "Passion," starring Cornel Wilde. 4.13 Ulster News. 6.00 Good Evening Ulster. 7.30 Charlie's Angels. 10.29 Ulster Weather. 10.30 Witness. 10.35 Sportscast. 11.05 Benson. 11.35 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 12.45 The Friday Matinee: "The House of the Seven Gables," starring George Sanders. 4.12 Gus Honeybun's Birthdays. 6.00 Westward Diary. 7.30 The Incredible Hulk. 10.32 Westward Late News. 10.35 Soap. 11.05 S.W.A.T. 12.00 Faith For Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.45 Friday Film Matinee: "Passion." 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Sport. 7.30 Hawaii Five-O. 10.30 Soap. 11.00 Pro-Celebrity Snooker. 11.45 Lou Grant.

(S) Stereophonic broadcast
‡ Medium Wave Only

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.31 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable with Mike Read. 7.31 Andy Peebles. [illegible] Anne Nightingale. 10.00-12.00 The Friday Rock Show (S).

RADIO 2

5.00 am News Summary. 5.03 Bob Kilbey (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 Take Your Partners at the Radio 2 Ballroom (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Castle's on the Air. 10.30 The Organist Entertains. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Bach (S). 10.00 Trio Zingara (S). 10.50 Music for Wind (S). 11.20 French Baroque Cantatas (S). 12.15 pm Midday Prom, part 1 (S). 1.00 News. 1.05 Dancers (short story). 1.20 Midday Prom, part 2 (S). 2.05 What the Critics Said. 2.30 Two for One (S). 3.40 Piano Duets (S). 4.20 Friday Afternoons (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.55 Play it Again (S). 7.30 Mozart and Berlioz concert, part 1 (S). 8.10 One Pair of Ears. 8.25 Concert, part 2 (S). 9.25 The Eternal Husband by Dostoevsky (abridged reading). [illegible] 11.00 News. 11.05-11.15 Haydn (S).

VHF ONLY—Open University—11.15 pm-12.15 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Desert Island Discs (S). 9.45 Feedback. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 The Countryside in Winter. 11.50 Natural Selection. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (S). 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.05 Weigh-In. 4.15 Poetry up to Now. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 Going Places with Barry Norman. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter from America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Glyn Worsnip explores the BBC Sound Archives.

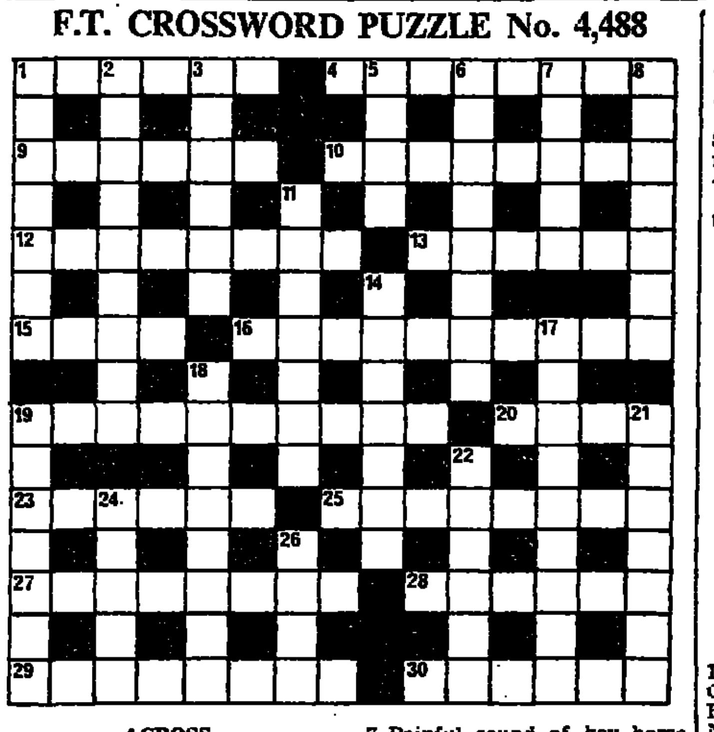
BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.05 Black Londoners. 8.00-5.00 am Join Radio 2.

Capital Radio

4.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight. 8.00 Nicky Horne. 11.00 Greg Edwards live from The Beat Disco in Town. [illegible] 12.00 Richard Allinson's After Midnight.

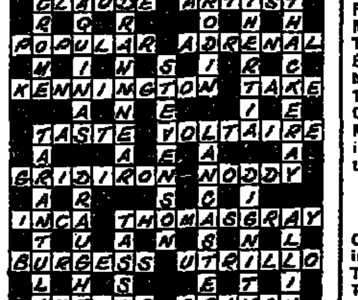
F.T. CROSSWORD PUZZLE No. 4,488



ACROSS
1 Go spare about Mussolini (6)
4 English flower to contend with French region (8)
9 Complaint as to bribe (6)
10 Present car to county (8)
12 Where we live? (4, 4)
13 Silence call towards centre of religion (6)
15 Family business (4)
16 Dandies drink to fox-hunting (5, 5)
19 Be resentful of chop given to hooligan (3, 3, 5)
20 Eliminating race fever (4)
23 Tax number of fish in Greek capital (6)
25 Filter into second coach (8)
27 Broad view taken of TV programme (8)
28 Somehow oiled piano inside aerial (6)
29 You desert a large number (8)
30 First thing following Pole pretty well (6)

DOWN
1 Root for reformer (7)
2 Go spare Lorna's head (2, 4, 3)
3 Accountant given wrong circular by better establishment (6)
5 A borderline cough requiring attention (4)
6 Precious thing that could make them stay (5)
7 Painful sound of key horse (5)
8 Last close majority (7)
11 Proctor representing Britain (7)
14 Callant has money on heartless toy (7)
17 Restricted number that could be a member of the Amadeus (3, 2, 4)
18 With which to welcome honest members (4, 4)
19 Scene of struggle in the main (7)
21 Art of English painter working at lathe? (7)
22 Engagement about 4 just in case (6)
24 Noise taking leave of dog (5)
26 Chaps from Ohio given sign of things to come (4)

Solution to Puzzle No. 4,487



THE PROPERTY MARKET BY MICHAEL CASSELL

Short rest for shares

THE LONG-TERM property share bull cycle is likely to pause for breath this year before making another significant upward move in 1982-83, according to Vickers da Costa, the City brokers.

Property analyst Gordon Ireland believes that, despite the property sector's confident start to 1981, the short-term outlook must be less encouraging than of late. He says that although the performance of property shares in relation to other sectors has, after a patch of year-end nerves, nearly recovered to the current bull cycle peak reached last September, the picture may again be changing.

The view from King William Street is that, having recovered from an autumn dip which was principally sparked off by the decline in real rents, property shares stand ready to enter a period of consolidation before the sector begins the final upward leg of a bull cycle which began back in 1976-77.

The advice from Vickers da Costa is to use any fall in either relative or absolute share prices as an opportunity to buy for those investors who have not already established a large enough property exposure.

Portfolios should, according to the brokers, continue to be dominated by property companies with active development programme based in central London (which narrows the field somewhat), and—because of the prospects for takeovers in 1981—by those with active financial management.

Vickers da Costa has in the past recommended certain property companies with overseas exposure, suggesting that a weakness in sterling could see an above average performance. This time round it points out that, although the pound remains strong against nearly all currencies, the rate of appreciation has slowed against the U.S. and Australian dollars, two important areas for overseas investment by UK property groups. Since it is possible to invest in some companies with overseas operations which have well above average capital gearing, a significant proportion of funds should, the brokers add, be aimed in this direction.

Vickers da Costa have consistently argued that the long bull cycle was unlikely to end before 1982-83 but that there could be an interruption around 1980-81. Gordon Ireland explains the case for suggesting that this may now be about to get under way: "At present, the recession is beginning to depress shop and industrial rents in nearly all areas. We may have seen further strength of late but the most optimistic forecasts suggest central London office rents will only hold their value in real terms.

"Gilt-edged yields look set to fall as the Government gets to grips with the money supply and although dividend growth on property shares will exceed that on industrials this ratio really needs to move well above 50 per cent in order to provide support for the next significant upward move in the sector's relative performance."

He adds: "Industrial equity yields also need to fall to make physical property a relatively attractive investment. The only possible positive factor involves rents, which should rise faster than dividends, but even this will be by only a small margin. Thus the prospect of any material gain in the sector's relative performance in 1981 appears slight, while the possibility of a setback at some point in the year looks high."

The brokers emphasise, however, that such a prospect for 1981 should be set against the longer-term cycle. "If interest rates and gilt yields do start to fall as the government gains control of the money supply, then the stock market as a whole could achieve some strong price gains in 1981, with property share prices rising also.

"However, such conditions would initially have a negative impact on the relative performance. Conversely, if the positive factors affecting property share's relative strength—such as continuing high inflationary expectations with rents rising in real terms—continues, then the stock market's performance is likely to be negative."

Second inquiry for Coin Street site

THERE IS to be a second public inquiry into proposals to redevelop the controversial Coin Street site on London's South Bank.

Mr. Michael Heseltine, Secretary for the Environment, announced yesterday that he is calling in an application from Greycoat Commercial Estates to provide a £150m office industrial, retail and leisure scheme which would transform 15 acres of land between Blackfriars Bridge and Waterloo Bridge.

Last July, the Minister turned down separate applications from Greycoat London Estates and Commercial Properties to redevelop the site, which is part-owned by the Greater London Council. Mr. Heseltine's decision followed a six-month inquiry in 1979 and afterwards he criticised both the scale and the mix of the schemes put forward.

Shortly after his decision, Greycoat and Commercial joined forces to plan a new scheme, which they said took account of Mr. Heseltine's desire to see a less intensive development than originally proposed, as well as a substantial residential element.

The latest plan formulated after talks with the GLC, is expected to go before another inquiry at the end of March. It has a reduced office content of between 995,000 and 884,000 sq ft, up to 200,000 sq ft of housing, some industrial space and an additional 185,000 sq ft of retail and leisure space. The overall density of the plan has been reduced.

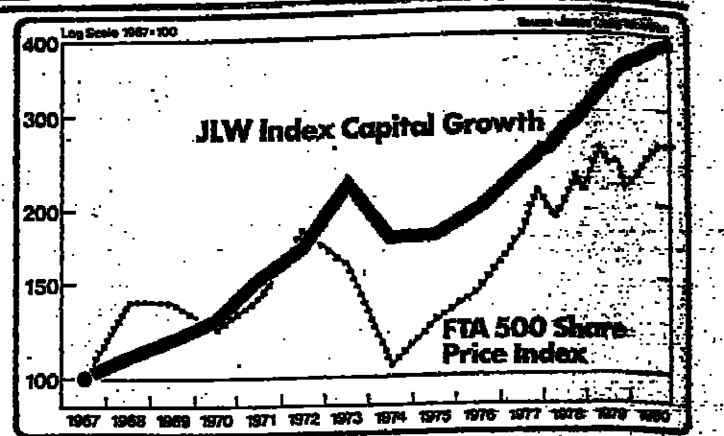
The scheme has been given the blessing of the Royal Fine Arts Commission and Greycoat Commercial has said that Phillips Petroleum and Citibank are prospective occupiers of the office content of the redevelopment.

Yesterday's announcement from the Department of the Environment said that Mr. Heseltine had also directed the GLC to make applications to him involving the parts of the sites which it owned, rather than deeming themselves planning permission.

The call-in letters state that Mr. Heseltine is of the opinion that he should decide the applications in view of the size of the site, the unusual development potential it presents, its location in the centre of London and its visual prominence beside the Thames.

Mr. Stuart Lipton of Greycoat said last night: "We are encouraged that the Minister has decided to deal with this matter. We hope the inquiry will deal fairly with all parties concerned in this plan but that it will be swift."

Shops maintain growth



DESPITE THE High Street trading downturn, retail properties came out best in the 1980 capital growth stakes, according to the Jones Lang Wootton property index.

The continuing investment interest in prime shop properties at yields below 4 per cent (some agents have reduced quotations to 3½ per cent) helped keep retail values contained in the JLW portfolio just ahead of the retail price index. There is still plenty of evidence to suggest that prime transactions in the early part of 1981 are maintaining these low yields, despite the decline in retail sales volume, the sharp deceleration in rental growth and the uncertain outlook for 1981.

In the face of some discouraging figures from the larger trading groups, demand from retailers for good shop units has nevertheless continued. In investment terms, the relatively small lot size of a shop tends to increase the competition, notably by attracting those pension funds who are new to the challenge of direct investment in property.

As JLW points out, this type of investor aims to spread risks over a wide range of real estate and is often unwilling to unbalance their portfolio by the purchase in larger lot sizes of office buildings and industrial estates.

A prime shop purchase may also be seen as one of a diminishing number of opportunities to buy into the established trading streets, which are increasingly institutionally owned and thus tightly held. Whatever the reasons for the strength of the retail investment sector, there can be little doubt that its continuing performance has taken most people by surprise.

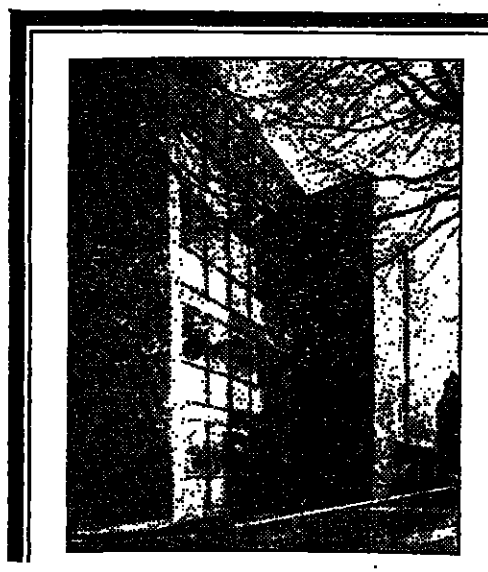
According to the index, capital growth on shops showed a 16.7 per cent year on year increase during 1980 against an RPI rise of 15.3 per cent. In the previous twelve month period, retail capital growth had outpaced inflation by 7 per cent.

The capital index as a whole showed a rise during 1980 of nine per cent, just half the level recorded in the previous twelve months, although the rate of growth in average commercial values may have been marginally higher than suggested by the figures because they include agricultural values which declined even in absolute terms during 1980.

Capital growth for offices and industrial properties remained in single figures over the last year—offices registering a 7 per cent rise overall and industrials moving ahead by just under 10 per cent.

As for prospects in 1981, there seems every reason to believe that continuing, substantial investment in real estate (investment in the first nine months of 1980 equalled the total 1979 figure) will help to underpin values of most types of properties. Rental growth generally can be expected to continue to slow down but it is unlikely that investment values will move markedly lower.

A fairly stable outlook seems to be the order of the day, although there may well be further widening of the gap between prime and secondary investments.



FACTORIES & WAREHOUSES

SHOPS AND OFFICES

INTERNATIONAL PROPERTY

FOR INVESTMENT

PROPERTY APPOINTMENTS

APPOINTMENTS

Two new directors at Mitchell Cotts

Mr. R. B. Jones, managing director of Mitchell Cotts and Co. (UK), and Mr. J. P. Wirth, managing director of Mitchell Cotts Transport, have joined the board of MITCHELL COTTS GROUP.

*

Mr. C. G. Ross has been elected a director of LAKE & ELLIOT and appointed a divisional chief executive of the valve division. This is a reversion to a post previously held by Mr. Ross, who resigned at the end of last year to take up a position outside the group.

*

Mr. Jim Whitehead has been appointed a director of FOSECO MINSEP and, as from March 1, managing director of its Unicorn sector group of companies. He will join the Board of Unicorn Industries and relinquish his position as deputy chairman of Foseco Minsep's Fosroc—building and construction—sector. Mr. Brian Ball-Greene will continue on the Board of Foseco Minsep and also remain on the Unicorn sector Board.

*

Mr. Gordon Adam, a general manager of Barclays Bank and deputy chairman of Barclays Bank Trust Company, has also been appointed chairman of the newly-formed BARCLAYS INVESTMENT MANAGEMENT. Mr. David Moss, a director of Barclays Bank Trust, has joined the board of the new concern and Mr. Bill Hilling, Mr. John Cain, Mr. Mike Roberts, Mr. Laurie Juniper, Mr. Howard Beaufort and Mr. John Embray have been made executive directors.

*

Mr. W. O. F. Wallis has been appointed a director of GUINNESS MAHON AND CO.

*

Mr. M. J. Sharman, an executive director of Chloride Group, has been appointed a non-executive director of BLUNDELL - PERMOGLAZE HOLDINGS.

*

Mr. Daniel Meinertzhagen is to become chairman of ALEXANDERS DISCOUNT COMPANY on March 3 in place of Mr. John P. R. Glyn, who is to retire from the board.

*

Lord Hunt of Tanworth has succeeded Sir Leslie Kirkley as chairman of the DISASTERS EMERGENCY COMMITTEE, which comprises five British relief agencies.

*

Mr. G. C. Nichols is to retire as chairman and from the board of ROTAPRINT on March 28 to devote more time to his outside responsibilities.

*

Mr. Hervé des Cressonnières, a managing director of Société Générale de Banque, and Sir Philip de Zulueta, chairman of Antony Gibbs Holdings, have been appointed non-executive directors of BANQUE BELGE.

*

Mr. John Stansby, former deputy chairman of London Transport, has been appointed a director of SAFT (UK), the British subsidiary of Compagnie Generale d'Electricite.

*

Mr. A. M. O. Davis has become commercial director of RICHARDS & WALLINGTON INDUSTRIES in addition to his position of company secretary. He has been succeeded by Mr. John Bishop as financial director. Mr. R. Brantingham, administration director, has resigned from the company.

*

Mr. Ron Brown and Mr. Reg Smith have been elected to the board of CARNATION FOODS COMPANY.

*

Mr. D. J. Reynolds has joined the Board of INDUSTRIAL WAXES, Kingston upon Thames.

*

Mr. C. D. Spruce has been appointed a director of RANK LEISURE as director of operations of the theatre division and entertainment and banqueting division.

*

Mr. A. W. Fleetwood, managing director, domestic appliance division, has been appointed to the Board of CARRON COMPANY.

*

MONO PUMPS (MANUFACTURING) has made three appointments to its Board: Mr. Philip White (general works manager), Dr. Alan Boyce (technical) and Mr. Leslie Landells (production). The parent concern is Gallaher.

*

Mr. R. G. Sturgeon has been appointed a director of STEWART WRIGHTSON INTERNATIONAL GROUP and managing director of Stewart Wrightson (Development) and a director of Stewart Wrightson (Energy Resources).

*

Mr. Gerald Hickey has been appointed chairman of TRIPLEX IRELAND and TRIPLEX LTD., subsidiaries of the British Pilkington Glass Group. He succeeds Mr. Thomas P. Hogan who has retired. Mr. Hickey is chairman of the Industrial Credit Company and the Solus Group.

*

Mr. V. J. Lowe will be joining the Board of HAWKER MARRIS as group production director in place of Mr. D. Grant, who has resigned.

*

Mr. A. T. Kirkman has been appointed to the newly-created position of assistant managing director of W. & T. AVERY.

*

Mr. David Morean has been appointed managing director of CHILTERN WATER TREATMENT, of High Wycombe, a division of the Dewplan group. He was formerly managing director of the Elga water treatment group.

*

Mr. Peter R. Travers, regional manager (UK and Europe), has been appointed chief manager, corporate banking group of the BANK OF NEW ZEALAND and will be returning to New Zealand in March. His successor is Mr. Gerald Scott, at present chief international manager.

*

Mr. Tony Belfield is to become managing director of SCOTTISH & NEWCASTLE BEER (SOUTH) and will join the Board of the SCOTTISH & NEWCASTLE BEER COMPANY.

*

Mr. Ken Hulls has been appointed managing director of a new company, BARROW SUPPLY AND SERVICE, in Furness, Cumbria. He was previously project manager with Vickers Offshore.

*

Mr. Brian Walters has been appointed managing director of ACROW AUTOMATION.

APPOINTMENTS OVERSEAS

CONSOLIDATED PLANTATIONS BERHAD, the major plantations company of the Sime Darby Group, has appointed three Malaysians to its Board. They are Tan Sri Datuk Thomas Jayasuriya, a Sabah lawyer; Tunku Naquiyuddin Ibni Tuanku Ja'afar, chairman of Antah Holdings; and Encik Mohd Yusof Zainal, former Malaysian Ambassador to the Philippines. Mr. L. R. Patterson has resigned from the Board.

*

Mr. E. C. Tait has been appointed deputy chief general manager and a director of the BANK OF NEW SOUTH WALES, Sydney.

*

M. Daniel Janssen has been elected president for three years of the FEB (Federation des Entreprises de Belgique) and will take up his post from April 23. He will succeed M. Frans van den Bergh. M. Janssen is honorary president of the Federation des Industries chimiques de Belgique.

*

Mr. Robert K. Taylor has joined DORCHESTER GAS CORPORATION, of Dallas, as senior vice president and president of Dorchester Exploration, Inc. He was formerly chief geologist with Amoco Production Company.

*

Mr. H. Laird McGregor has been appointed president of the Venture Group of DANA CORPORATION, based in Toledo.

*

Mr. F. P. Chilton and Mr. L. J. Waite have been appointed directors of SEDGWICK NORTH AMERICA.

*

Mr. Michael R. F. Cartwright and Mr. Peter G. Pike have been appointed directors of ASSOCIATED CONTAINER TRANSPORTATION (AUSTRALIA). They remain responsible for commercial planning and international operations, respectively.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Bank	14 %	■ Hill, Samuel	§14 %
American Express Bk.	14 %	C. Hoare & Co.	†14 %
Amro Bank	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Keyser Ullmann	14 %
AP Bank Ltd.	14 %	Knowsley & Co. Ltd.	16 %
■ Arbuthnot Latham	14 %	Langris Trust Ltd.	14 %
Associates Cap. Corp.	14 %	Lloyds Bank	14 %
Banco de Bilbao	14 %	Edward Manson & Co.	15 %
BCCI	14 %	Midland Bank	14 %
Bank of Cyprus	14 %	■ Samuel Montagu	14 %
Bank of N.S.W.	14 %	■ Morgan Grenfell	14 %
Banque Belge Ltd.	14 %	National Westminster	14 %
Banque du Rhone et de la Tamise S.A.	14½%	Norwich General Trust	14 %
Barclays Bank	14 %	P. S. Refson & Co.	14 %
Beneficial Trust Ltd.	15 %	Rossminster	14 %
Bremar Holdings Ltd.	15 %	Ryl. Bk. Canada (Ldn.)	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	14 %
Canada Perm't Trust	15 %	Standard Chartered	‖14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	14 %
■ Charterhouse Japhet	14 %	Twentieth Century Bk.	14 %
Choulartons	14 %	United Bank of Kuwait	14 %
C. E. Coates	14 %	Whiteaway Laidlaw	14½%
Consolidated Credits	14 %	Williams & Glyn's	14 %
Co-operative Bank	*14 %	Wintrust Secs. Ltd.	14 %
Corinthian Secs.	14 %	Yorkshire Bank	14 %
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month 11¾%. Short term £4,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.
‖ 21-day deposits over £1,000 13%.

Cinema

Mystical masterpiece

by NIGEL ANDREWS

Stalker (A) The Tale of the Last Chrysanthemums — Gate 3, Camden
Nine to Five (AA) — Odeon Leicester Square
The Formula (AA) — Plaza
The Reign of Naples — Electric Cinema
The Trials of Alger Hiss — Riverside Studios
Prom Night (X) — General Release

Your life will not be complete without seeing Andrei Tarkovsky's *Stalker*. If your soul usually shudders at the notion of Soviet science-fiction allegories, where dour human beings do battle with incomprehensible ironmongery and bits of flying philosophy, do not prejudge the particular by the general: this one-of-a-kind movie by the common genius of Russian space-age pedagogy. Tarkovsky directed *Solaris* and *Andrei Roublev* and *Mirror*, and his brand of poetic-philosophical cinema belongs on a lusty mountain peak all his own.

Stalker is his latest and best film yet. This dazzling Dante-esque fable, telling of three men who journey into a mysterious and magical "Zone"—a meteor-blasted limbo strewn with dead industrialism and relics of the past *en route* to some obscure journey's end where their deepest wishes will, we are told, be granted, is a movie that sluices out every preconception you ever had about how a film should look and talk and feel.

Is *Stalker* a journey to the centre of the soul? A political allegory? A Russian nightmare thrown up in antiphony to the American Dream? At 161 minutes the movie offers a wild, putative portfolio of meanings and morals. But on a first viewing at least, don't struggle for the message, *feel* the mesmerism. The resonances will steal in on you if you simply submit to Tarkovsky's stunning ability to make the visionary seem real, the real visionary.

Framing his story with two eerie black-and-white sequences—a prelude and coda sketching in grainy, ghostly chiaroscuro the home life of "Stalker," the grizzled guide who escorts the curious on illicit forays through the forbidden Zone—the movie moves no less eerily and hauntingly into colour for the journey itself. Our trio is completed by a poet and a scientist, poles of mysticism and materialism, and as they venture through the Protean terrain—where police patrol the perimeter and the fields are littered with sinister decaying tanks—the movie turns their journey's landscape and its wish-fulfilment destination into a giant crucible for all their doubts and fears and dreams. As desire's resolution approaches, Tarkovsky suggests, all men hesitate and tremble: art and science alike falter at the last hurdle of the Unknown, where the mystic folds into the certain, the ideal into the real.

As in *Mirror*, Tarkovsky mixes camera movements as a painter mixes colours or a symphony composer instruments. Slow, magical zoom-ins and eerie crab-like track-shots "stalk" the characters as they venture deeper into the alien landscape, now brutal now beautiful, and no less hypnotic are the surreal images caught in the camera's trajectories: a *collage* of derelict objects — paintings, coins, hypodermics—seen under a flowing stream; a huge swamp quaking like a shaken carpet; two human skeletons clinging together in bony intimacy. *Stalker* is one of the wonders of the modern movie world and you miss it at your peril.

When the same movie week ushers in *The Tale of the Last Chrysanthemums*, it's time for dancing in the streets. Dance your way up to Camden to see this rare Japanese film—made in 1939 by the late great Kenji Mizoguchi and only now receiving its London premiere — which transforms black-and-white photography into a wondrous hieratic ballet of light and shade.

Time-whisked back to the turn of the century, we watch the fall and rise of a young Kabuki actor striving to live up to the name and fame of his adoptive father, a stern lion of an actor-manager. An early rupture with this imperious *magister* casts him onto the road where, with sundry touring companies, his yet milk-fed talent receives the rough rearing it needs. He also takes with him the beautiful young maidservant his love for whom first precipitated pater's wrath. Will filial reunion finally flower? Will thespian success succeed? Can love and art blossom together?

In the later laps of this 137-minute odyssey, the film starts to slither down the swan's-down slope toward sentimentality: the father yearns to forgive, the son yearns to be welcomed back and the girl, as if taken aside and schooled by Puccini, starts to die conveniently of a vague disease. But as in his classic ghost story *Ugetsu Monogatari*, or his world-well-lost tale of adulterous love *Chikamatsu Monogatari*, Mizoguchi clothes potentially banal bones in a wondrously handsome and glowing flesh. One moment a cage of shadows pens in the characters like brooding animals; another, a single floor-lamp bathes a profile in liquid, voluptuous light; another yet, a long nocturnal travelling-shot flows and gently checks in exact rhythm with the hero and heroine's conversation as they walk and talk along a midnight street. This rare, rich movie opens at the Gate 3 this week for a limited run—catch it while it lasts.

Avoid, while it lasts, *Nine to Five*. This prodigally laughless comedy of Feminist manners puts to the sword the combined talents of Jane Fonda, Lily Tomlin and Dolly Parton in the cautionary tale of three lady office-workers who take revenge on their tyrannical, male-chauvinist boss.

Colin (*Harold and Maude*, *Foul Play*) Higgins wrote and directed, yoking modernity of theme to a fumbling antiquity of treatment as our heroines, wearing bobbed and *bouffe'd* hair and pillar-box red lipstick as if time-capsuled from the 1950s, came at us like Jane Wyman or Doris Day in triplicate. Once or twice the frantically mirthless gloom is broken by a grimaced one-liner from Tomlin, or by a neat-conceit scene like that in which the trio's elaborate bondage measures after kidnapping their boss surprise a stray visitor, who mistakes them for something far more risqué and worthy of plain cover. But elsewhere it's fatuous, frenzied and unfunny, masking under its cheery screwball facade what often seems like a genuinely vicious little anti-male tract.

Even viciousness would be welcome in *The Formula*. Someone must have made Marlon Brando an offer he couldn't refuse to appear with egg-bald pate, rotund stomach and portable adenoids as a far-from-magnetic oil magnate in this dismal espionage tale.

Who's got the Nazi-invented formula for making synthetic oil? Hands up if it's you, for then we could all go home. George C. Scott, a Los Angeles law-enforcer whose friends are being felled by mysterious bullets and leaving obscure messages on bedside tables concerning the "Genesis formula," decides to investigate. As he gruffs away bravely first in America then in Europe, this garrulously grotty yarn winds on—from one anti-climax to another, with endless scenes of expository dialogue and frequent flurries of incomprehensible violence. John (*Rocky*) Avildsen directs as if new to the science of cinematography, chiefly deploying black spaces, and even *il sacro* Brando for once seems humbled, all-too-human and anxious to be elsewhere.

From next week, Portobello Road pilgrims visiting the Electric Cinema can savour Werner Schroeter's *The Reign of Naples*: the tribute of a fantastically-minded young German director to the grainy glories of Italian neo-realism. This exotic slice of slum-land life in post-war southern Italy scooped the Grand Prize at the Taormina Film Festival a year or two ago, and at its best is like a piquant scrambling of Fellini and Rossellini.

The Trials of Alger Hiss is John Lowenthal's 166-minute investigative documentary about the alleged spy who was tried and imprisoned—wrongly, says the film—in America for passing secrets to the Nazis. Did he plant a microfilm in a pumpkin? Did he collaborate with foreign bodies? Lowenthal's film, unveiled at last year's London Film Festival, asks some fascinating questions but seems to me to make an almost total hash of providing any convincing answers. Much glib cross-cutting between surviving friends and trial witnesses is no substitute for a clearly argued case. But you can see and judge the film for yourselves this weekend at the Riverside Studios (Sunday's screening is followed by a discussion featuring Lowenthal, James Cameron and others) or on February 21 or 28.

In *Prom Night* much violence is visited upon a co-educational high school. Axes swing, knives pierce, cleavers cleave in this nasty tale of educational cuts in midwest America. Jamie Lee Curtis stars: Paul Lynch luridly directed: you should avoid.

Dolly Parton, Lily Tomlin and Jane Fonda in Nine to Five

Aldwych

The Suicide

by MICHAEL COVENEY

Despite the sustained brilliance of the RSC's acting personnel spread through its large and small theatres, it has become quite hard to see the connection between the studio and large-scale work. Trevor Nunn's *The Alchemist* survived the transfer from The Other Place to the Aldwych because the production was sufficiently superb to merit big audiences and accommodate a large arena. The same is true of Ron Daniels's job on Nikolai Erdman's *The Suicide*, an ebullient farcial satire written in the early 1930s that has remained unperformed in Russia to this day.

This show must rate as one of the most important discoveries made by the RSC. Meyerhold hoped the play would open his 1928 season, but that honour eventually fell to Mayakovsky's *The Bed Bug*. There is a scene in this play that is the equal of the lapsed party member's nuptials: Semyon Semyonovitch has bungled his suicide attempt by downing a bottle of vodka. As the mourners turn up, he leaps into his coffin. The crowd burst into a candle-lit requiem and his wife faints clean away. The crowd turn to comfort her and a deaf and dumb witness gasps in astonishment as Semyon rises from the dead. The witness falls flat on his back and, as Semyon crosses his arms on his chest and resumes a horizontal silence, the mourners sweep round to observe *him*.

The scene is marvellously handled by Mr. Daniels and his cast and amounts to a remarkable pay-off for the company approach. It may have taken time for the satirical edge of the play to bite. Semyon's protracted suicide attempt has been appropriated by various elements of society in their own respective interests. Edward Petherbridge (how good to see him back in his rightful place with a major company, improving, if that is possible, on his Newman Noggs) wants the blow to be struck on behalf of the intelligentsia; Ian McNeice interprets Semyon's defiance as a statement issued by the meat industry; Emily Richard is the perennial mistress for whose sake Semyon will gladly die; Nicholas Gecks is the poet whose utterances have been throttled by the state (like the musicians — including Shostakovich? — he is commissioned only for fanfares) and who visits his own despair on Semyon's predicament.

At the centre, Roger Rees's electric performance manages not only to encompass the role of butt for all these frustrations, but also to articulate the strangulated independent voice. The small man who telephones the Kremline about the misery of being out of a job can, if you like, represent any one of today's unemployed horrified at Mrs. Thatcher's reluctance to admit a dole-bent queue should have a numerical ceiling.

I have no wish to labour such obvious parallels, but the point does give a measure of the play's richness as a comic tribute to the underdog. There is a magnificent sending-off party for the suicide, with Kit Surrey's set of grey doors and panelling opening out to a rustic vista of bare trees and balalaika music. Semyon himself is magnificently supported by Susan Tracy's wife and Lila Kaye's outrageously overstated mother-in-law.

All the way along, Erdman's satire hits home, as when the postman denounces the poetic waffle with the show-stopping line. "I'm a postman. I want to read about postmen." Peter Clough has softened us up for this moment by defending his keyhole nosiness with the declaration that he is spying, you may be sure, from a Marxist point of view. Such passages have a real vitality in Peter Tegel's translation.

The other view of Semyon is as of a working man's Hamlet (the postman informs us that, according to comrade Marcellus, all is not well in Denmark). Semyon, the anti-hero, never set foot out of doors during the October Revolution, but his demand for a quiet life and a living wage leads him to consider the human condition and, more importantly, to play fall-guy to the lost aspirations of his fellow men. This is an invigorating, eye-opening and truly entertaining evening.

Festival Hall

English Chamber Orchestra

With a programme calculated to blow away the deepest winter depression, the English Chamber Orchestra came to the Festival Hall on Wednesday conducted by Raymond Leppard and with Kiri te Kanawa as soloist. It should have been an evening to treasure: the majority of the audience, one imagines, had bought tickets solely for the chance to hear Miss te Kanawa sing Berlioz's *Les nuits d'été*, and certainly the combination of the beautiful of contemporary soprano voices and the most sumptuous of orchestral song cycles promised riches indeed.

But somehow things went terribly wrong. To the best of my knowledge Miss te Kanawa has not sung the cycle before in Britain at least, and much of her performance suggested a tentativeness stemming from unfamiliarity. She delivered most of the songs with an anxious eye on Mr. Leppard, being led rather than leading; there were only occasional examples of full, relaxed tone, though there was no reason to believe that her voice was in anything less than perfect *fettle*. *Uncertainties abounded*: in simple matters of French prosody — whether or not to elide the last two syllables of "Reviens" in *Absence*: how to lend strophic settings some measure of inflection; whether to promote continuity of line over textual comprehension.

From a voice any less gorgeous it would have been an irredeemable performance. But those who came just to soak in beauty of tone doubtless went away satisfied, and were given the added bonus of a pair of arias from Handel's *Giulio Cesare*, "V'adoro, pupille" and "Non disperar; chi sa?" Miss te Kanawa was here at once more comfortable (delivering them directly to the audience, and not turned towards the conductor as much of the Berlioz had been) though her approach seemed uncertainly poised between received Handelian style and something more appropriate to classical opera. It was left to Mr. Leppard to provide the evening's truly exhilarating high spirits—in *Beethoven's fourth symphony* and in Handel's *Music for the Royal Fireworks*, which positively brimmed with life.

ANDREW CLEMENTS

Victoria Rooms Theatre, Clifton

Manon Lescaut

by RONALD CRICHTON

The Bristol Opera Company was founded nearly 60 years ago as an amateur body, to present operas "not included in the repertory of professional companies." Now, though our professional companies are more numerous, are not all that more adventurous, there are plenty of amateur and student organisations to fill in the gaps in our experience, and very enterprisingly they do that. The need is not so great, yet Bristol still favours works that are not current coin in Britain but should please a non-specialist public. During the past ten years, as "counterpoise" to *Carmen*, *Aida* and *The Bartered Bride*, there have been *Prince Igor*, *The Wreckers*, *The Jewels of the Madonna*, and now *Manon Lescaut*.

Why Puccini's musically vital if dramatically erratic telling of the Manon story should have lagged in popularity in Britain is a mystery. Covent Garden have had no luck with it. The ENO are unlikely to try so soon after successfully restoring Massenet's *Manon* (a superior opera, not necessarily better music) to their repertory. The combination of ensemble virtues and first-rate solo singing needed for an adequate *Manon Lescaut*, which often proves elusive, may be daunting (Camden Festival have just announced a concert performance by Chelsea Opera Group for March 24).

The Bristol company has a tradition of thorough, serious preparation. Andrew Shore from Kent Opera has produced *Manon Lescaut* simply and sensibly in an elegant assembly of white hanging panels by Andrew Pincott and very adequate costumes (one exception to be noted later) by Kirstine Davison. The deportation scene in act 3 was effectively blocked out, though the deliberately cruel effect of the calling of the prostitutes' names was underplayed. The romantic, idealistic side of Des Grieux's character was stressed (too strongly, I thought) by allotting the three roles of the student Edmondo, the dancing master and the lamplighter to the same singer, with a suggestion of a composite, evil-genius figure, not clearly portrayed at Wednesday's performance and hardly justified by the text.

Otherwise the only big mistake was to overdress Manon for her first entrance. What would a girl on her way to a provincial convent be doing rigged out like Strauss's Marschallin for her arrival at a different kind of inn? But by and large anyone coming fresh to *Manon Lescaut* will form a very reasonable idea of the opera, one of those happy works written when youthful impulse overlaps with mature technical mastery—*Idomeneo* is a supreme example.

The conductor, David Selwyn, was sure enough of his chorus and (amateur with professional stiffening) orchestra to let them have their heads in the big scenes of Acts 1 and 3. The results brought some genuine excitement. Puccini never excelled these ensembles until the splendid first act of *Turandot*, 30 years later. Some string playing gave the composer more credit for progressive harmony than he really deserves, but that will no doubt come right later. Quite rightly, Mr. Selwyn pushed the front stalls as far back as possible, leaving his pitless orchestra room to breathe, avoiding the overcrowded aural impression one dreads in halls of this type.

There is a double cast of principals. Wednesday's Manon and Des Grieux were remarkably well on top of the notoriously testing roles. Meirion Ashton has the right clear, steady, carrying soprano with excellent diction (the translation was by Mowbray Marras). She managed the second act aria, a trial run for Tosca's "Vissi d'arte," with real artistry. In the later acts Miss Ashton seemed more concerned to seem like a real opera singer than like the suffering creature who is Puccini's Manon. Clive Watts, though physically he could not suggest the romantic young sprig, sang Des Grieux with full, rounded, ardent tone that did not falter.

As brother Lescaut John Nunn showed an excellent French-type baritone with, again, good diction, but little sense of the character's nastiness. As Manon's elderly protector Géronte, Malcolm Daw had all the role needed except clear projection (other singers with bigger voices also failed to get across because of poor words). The small parts were soundly done. Wednesday's performance was sponsored by the National Westminster Bank. It is good to find industrial sponsorship for serious amateur work. Further performances tonight (Friday) and tomorrow (Saturday).

Maureen Lipman and Jeremy Clyde — Leonard Burt

Watford Palace

Design for Living

by B. A. YOUNG

Noel Coward toyed for a long time with the basic idea of *Design for Living* before he wrote it down. Perhaps subconsciously he realised that the idea wasn't going to work very well. It's a simple idea: three people, Otto, Leo and Gilda, all deeply in love with one another but liable to coagulate into pairs with one over. The difficulty is evident, to invent people to whom such a thing would happen.

The three whom Coward produced after eleven years' thought are no more than the necessary minimum to put the plan into action. Gilda is living with Otto at the start of the play, but leaves him for Leo. When Otto returns, having made his fortune, Gilda walks out on them both, and they set up house together. (Coward, in deference to the manners of the time, has had to make them both drunk when they reach this decision.) Then they both call on Gilda, a successful interior decorator in New York, married to their one friend, an elderly picture-dealer, and all three collapse in laughter at the prospect of what, at the time of the final curtain, looks illusively like a lifetime *à trois*.

These three, alas, are no more than puppets. They are all supposed to be brilliant, one a playwright, one a painter, one a decorator, but they give no sign of intelligence, let alone genius. Instead, they move from one artificial situation to another, making artificial conversation. I dare say Coward and the Lunts made it sound funny, but Simon Jones and Jeremy Clyde, able actors as they are, are not in that range; and though Maureen Lipman handles her three personalities beautifully (playing at being French Bohemian in Act I, playing at being English respectable in Act II, playing at being New York smart in Act III) she couldn't often persuade me that there was anything very funny about what she was doing.

Hugh Sullivan as Ernest, the dealer, is curiously enough the only one who sometimes gives a hint of the brittle behaviour of the Coward era. Otto and Leo are a pretty stolid pair, even in Act III when they intrude on Gilda's party with a sort of Gilbert and George act.

I suspect the director, Michael Attenborough, may have set his face against any conscious representation of a 1930's style in order to avoid direct comparison. The hero of the evening, as it turns out, is Joe Vanek for his three atmospheric sets.

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Friday February 6 1981

Pensions and inflation

WHEN THE Prime Minister decided last year to launch an inquiry into the true value of inflation-proofed pensions in the public sector, a call for the extension of the index-linking principle and for radical reforms in the *Government's* instruments of monetary management must have been the last thing she was expecting—especially as the committee of inquiry consisted of two industrialists, an actuary, a strongly monetarist economist and one trade union official.

Pay bargaining

The Government may be disappointed by some of the Scott Committee's findings. But the committee was right to broaden its strict terms of reference and go beyond the mere manipulation of actuarial figures. In doing so it has managed to get nearer the heart of the vexed issue of index-linking in an inflationary environment than previous official inquiries.

Some redrawing of the boundaries for the Scott Committee's inquiry was in any case inevitable because of the change in the method of public sector *pay bargaining introduced* after the committee's formation. The abandonment of "comparability" for salaries makes the whole point of comparing the value of pension benefits less relevant.

The committee shows that the Government Actuary's *estimate of a public employee's* advantage over his private sector counterpart as equivalent *to 3.5 per cent of salary is not* unreasonable, though perhaps a little generous. Assuming real rates of return on investment, ranging from 3 per cent down to zero, the committee finds that *the appropriate adjustment* lies somewhere between 3 and 8½ per cent.

If public sector pay were still established by comparability exercises, the difference of *roughly five percentage points* between the present deduction and the top of the Scott Committee's range would suggest that a marginal cut in public sector salaries might be appropriate. *In the context of a more* market-oriented approach to public sector pay bargaining, *the practical significance of the* committee's suggested range will be limited.

Of greater relevance than the precise figures in the Scott report are the general comments on the principle of index-linking and the performance of private sector pension schemes. Unlike *many actuaries*, the committee regards full inflation proofing of private schemes as a possibility *which cannot simply be dismissed* as impossible or "infinitely costly."

What makes inflation-proofing unattainable for private sector schemes is not just the monetary *cost of benefits which rise with* inflation. As the committee's figures show, these are unlikely to be enormously more costly than the benefits which many private schemes already provide. The real difficulty is the absence of any securities which could be bought by pension funds to underwrite the promise of inflation-proofing. The existence of such securities would make it possible for the security of inflation-proofing to be extended to those private employees who were prepared to pay the appropriate price.

Negative return

Only a market in index-linked securities would be able to *indicate definitively* the value that should be ascribed to inflation-proofed pension rights. *In the present conditions* of economic uncertainty it may well be that these would be valued so highly that issuers of index-linked bonds could only offer a negative real rate of return. If this turned out to be the case, it would justify the presumption that was widespread before the publication of the Scott report, that all purely monetary calculations of the true value of the public sector's pension rights underestimated the benefits of security.

However, the key point that Scott brings out is that this high valuation wich the public places on security *is a very strong* argument for issuing index-linked bonds of some kind, *rather than attacking the privileges* enjoyed by the public sector. *If investors really want index-linking, then the Government* would be able to save large sums on debt servicing *by issuing index-linked bonds*: perhaps initially only to pension funds, or in the form of indexed annuities. *At the same time as* helping to right a social injustice it would thereby facilitate its own monetary and macro-economic management.

U.S. aid and the World Bank

THE REAGAN team is finding its first task, cutting the budget, far more difficult than it had confidently predicted before the election. It is not surprising that larger savings are being looked for in areas where they seem easiest, notably the *foreign aid programme. Last* week Mr. David Stockman, the budget director in the Administration, *proposed that U.S.* foreign aid be slashed by a third from the $8bn proposed in President Carter's *outgoing* budget.

It is clear that he will not get his way without a fight as General Alexander Haig, the Secretary of State, has taken a different view. But it is extremely important that the U.S. does not follow the example of Britain, whose recent aid decisions were strongly and rightly criticised yesterday by *the OECD's Development Assistance Committee.*

Donor's league

The U.S. record is already poor. The share of GNP devoted to aid has been falling and the U.S. ended the 1970s near the bottom of the league table of major Western donors. In the past two years a Congress hostile to aid has exacerbated the problem by *failing* to pass aid programmes. Only limited "continuing resolutions" have been passed and in 1979 net official development aid by the U.S. fell to 0.2 per cent of GNP.

To some extent the figure was exceptional but even the previous year's 0.27 per cent compares unfavourably with other Western countries. In 1979 Britain's figure was 0.52 per cent; the Netherlands and Sweden exceeded 0.9 per cent.

For the fiscal year beginning this October President Carter proposed a 26 per cent increase in foreign economic and financial assistance to put the U.S. back on track. It is obviously difficult to do this in one year. But there are strong humanitarian *arguments* for doing so, as well as two other strong reasons why the U.S. should not seek to save money at the expense of the developing countries.

The first is that the world economy is not going well—and the World Bank forecasts that it could slow down further if aid is cut back. Oil costs, a general deterioration in the terms of trade and, in some cases, droughts are afflicting Third World countries. A number of them have trouble in finding finance from the banking system. Already two out of every three dollars borrowed by developing countries go to servicing existing debt. While nobody expects that official governmental aid from the West can do more than *marginally offset the difficulties* caused by rising oil prices, even help at the margin will *be crucial for the poorest* countries.

The second is that the issue of aid is important in political terms to the outside world. The multilateral institutions like the International Monetary Fund and the World Bank have now become a central focus for political manoeuvring between rich and poor. The dispute over allowing the Palestine Liberation Organisation to attend the annual meetings of these bodies is the most recent example of this. *But control of the institutions* is also a central issue in the battle between North and *South in the United Nations.*

IDA funds

It may prove increasingly difficult to sustain the view that the industrialised countries should retain control and yet expect OPEC to provide much of the finance. It will be all the more so *if the U.S. starves the* World Bank and its soft-loan arm, the International Development Association. *Moreover, if* the U.S. does not soon put through its replenishment of IDA funds, the whole IDA programme may be in jeopardy.

General Haig may wish to defend the foreign aid programme on the grounds that it can be an instrument of political influence with recipients. This too would be an error: American bilateral aid is already too "political" since *nearly half of it goes* to its two main clients in the Middle East.

No doubt there are criticisms to be made of all the multilateral institutions. The appropriate response is to seek to *improve them. One of the prime tasks* of Mr. A. W. Clausen, who takes over as head of the World Bank later this year, will be to demonstrate to Congress that improvements are being made and that the Bank's role is crucial. The case for aid is a strong one. It needs more forceful advocates.

EUROPEAN MONETARY SYSTEM

No passport to stability

By David Marsh

HAD STERLING been a member of the European Monetary System since its birth in March, 1979, the EEC's currency stabilisation scheme would by now probably have suffered half-a-dozen spectacular exchange rate reshuffles.

The *fear* that the strapping petro-pound would have proved the cuckoo in the EMS nest was put forward last week by Sir Geoffrey Howe, the Chancellor of the Exchequer, as a *principal reason why* Britain has not joined the scheme so far.

Trepidation about what might happen when and if sterling becomes a member is however only one of the reasons why EEC governments and central banks are approaching the system's two-year anniversary with a distinct sense of foreboding.

The most immediate worry arises from the strains caused by the now all-too-familiar weakness of the Deutsche Mark, which during the *last fortnight* has again been pressed to near its lowest permitted limit *against the high-flying French* franc.

The ever-susceptible Italian *lira* and Belgian *franc* have also been under pressure—in Italy's case, forcing the Government to bring in a credit tightening package last weekend to stave off devaluation.

Of deeper concern is the scheme's longer term outlook. The EMS up to now has indeed functioned as a zone of relative exchange market stability—but it has presided over a near-doubling of EEC inflation rates.

Not only is this almost certainly storing up currency unrest for the future. It also places a large question mark over the basic purpose of the EMS—which is to reduce Community inflation rates around a common level of, say, 3 to 5 per cent.

Of course the 1979/80 oil shock has intervened. But the difficulties of the French, even with the scheme's strongest currency, in bringing down inflation into single figures, underline that the EMS is no passport to stability.

Fundamental doubts also remain over the political will among EEC leaders to turn the scheme into anything more than an exchange rate mechanism.

Apart from uncertainties over sterling and the role of the newcomers—Greece, Spain and Portugal—a basic impasse persists on the plan to give the EMS greater political bite through the creation of a central European Monetary Fund, billed by the scheme's founders as a kind of European IMF.

Summing up the underlying anxieties, Herr Karl Otto Poehl, the president of the West German Bundesbank, this week took time off from his current troubles with the D-mark to warn that economic harmonisation within the EEC was the only way to create monetary stability. Yet at the moment, he said, divergence, rather than convergence, was taking place.

The EMS has indeed had a relatively calm run., Only two realignments—the last of them (which involved only the Danish krona) *in November* 1979—have taken place so far, against an average of one every six months during the last three years of the system's predecessor, the European "snake."

What worries Herr Poehl and other central bank governors is that this superficial stability has allowed currencies to get too far out of line with underlying inflation rates. This could result in an eventual sharp correction of the D-mark against the *high-inflation lira* and French franc, assuming that the gloom over the West German currency, *sooner or later, lifts.*

The juxtaposition of the Deutsche Mark and French *franc at the two ends of the* system—in spite of a French inflation rate that is two and a-half times West Germany's—will have caused some wry smiles at this week's meeting of the scheme's co-architects, Chancellor Helmut Schmidt and President Valery Giscard d'Estaing.

Herr Poehl this week made an oblique appeal to France (although he did not mention the country by name) to take *some of the heat off Germany's* currency by slowing down foreign borrowing. But he dis*misses talk of a D-mark devaluation* as "absurd."

The Bundesbank, after all, *now talks of the EMS as a use*ful device to brake its currency's depreciation — in stark contrast to the predominant mood two or three years ago, when the British Government and other sceptics argued that the scheme was a devilish Germanic brainchild designed to limit the D-mark's *upward* movement.

The same irony applies to the turn-round in Britain's position. Sterling was kept out of the EMS in the first place mainly because it was thought that the scheme would maintain the pound at too high a rate.

Two years—and a 30 per cent rise against the D-mark—later, EMS enthusiasts like Mr. Roy Jenkins, the ex-EEC Commission president, now back on the UK political stage, argue that sterling's participation would help pull it down from its current over-valued level.

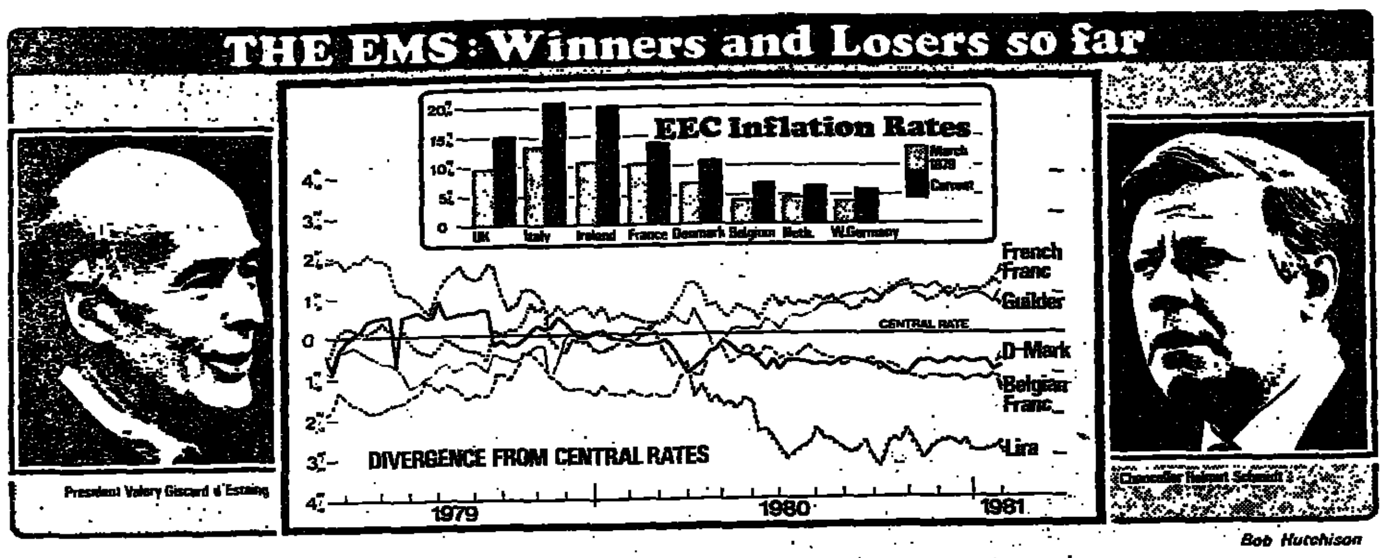
The Bank of England, as Mr. Gordon Richardson, its Governor, made clear this week, is strongly in favour of an eventual decision to join, although questions of principle and *timing are up to the Treasury.*

Equally complex wheeling and dealing will take place before another essentially political issue is resolved—whether and how to set up the European Monetary Fund.

According to the original aim, the Fund would have permanent ownership of 20 per cent of the Community's gold and dollar reserves, which are at present pooled on a temporary basis.

The rise in the gold price has made this idea still more controversial (at present prices the Fund would look after reserves worth more than $60bn) and the whole question of the Fund's creation and its liquidity has been shelved until after the French elections this spring.

One EEC central banker, a shade dolefully, sums up the state of play: "We are continuing technical talks—but the politicians are not very clear what they want."



THE European Monetary System links the currencies of all the members of the EEC except *Britain. The two-year-old exchange* rate mechanism, the latest in a number of efforts since the break up of the Bretton Woods system to bring currency stability to Europe, allows currencies to fluctuate against each other in a series of fixed bands.

The aim is not only to help reduce inflation but also to bring about more stable conditions for foreign trade.

Two sets of rules limit these movements. *First*, each member has a set of bilateral fluctuation limits against each other currency, made up of a margin of 2¼ per cent each side of its "central rate" against that currency. (The exception is Italy, which is allowed a 6 per cent margin).

Second, each currency also has a limit for its divergence from a central rate set against the European Currency Unit (ECU).

The chart shows the divergence of the five principal EMS currencies from their central ECU rates—with adjustments made to make up for the extraordinary fluctuations of the lira and sterling, which distort the value of the ECU.

Whenever a member reaches 75 per cent of its permitted maximum fluctuation from the ECU central rate, its Government is bound to take action to bring its currency back into line.

How the Bundesbank stood up for the D-mark

By Stewart Fleming in Frankfurt

"WEAK government, weak currency" was how one Frankfurt banker summed up on Tuesday the plunge in the value of the Deutsche Mark on the foreign exchange markets in the previous eight trading days.

Even as he was speaking the Bundesbank, the West German central bank, was abandoning, *for the moment, the policy it* had followed since the D-mark began to weaken last October *of avoiding dramatic gestures* such as heavy intervention in the markets to try to stabilise *its value against the U.S.* dollar.

Previously, most of its intervention energies had been spent fulfilling its obligations under the European Monetary System, in particular to supporting the D-Mark against the French franc.

But on Tuesday, after an uninterrupted 8 per cent fall in the D-mark against the dollar in the previous few days (bringing its total loss to almost 20 per cent since October) the Bundesbank waded into the foreign exchange markets, selling several hundred million dollars, according to dealer estimates, to support the D-mark.

Discreetly, in view of the controversy about the Bundes*bank's high interest rate policy* and the news the same day of a rise to a five-year high in the *German unemployment rate, it* also put upward pressure on German interest rates by drain*ing liquidity from the money* markets.

Yesterday's regular fortnightly meeting of the Bundesbank's decision-making central council decided to keep unchanged its main lending rates.

Earlier in the week there had been some speculation that the Bundesbank might be forced into raising its discount and Lombard rates—but it has also been under pressure to lower them to counter the economic downturn.

In part the decision to intervene so heavily was influenced *by tactical considerations. After* so sharp and swift a fall the Bundesbank could hope that the *reserves* it was committing would have the maximum effect on nervous traders. Moreover *the market was becoming more* unstable and volatile, confidence was waning partly because of *the Central Bank's relative in*activity in such conditions and dealers were beginning to ask *themselves just how low the* D-mark would have to fall before it stabilised.

Worrying too was the fact that the D-mark was weak even though U.S. interest rates were falling, a development which Bundesbank officials had been confident would signal a turning point for the currency.

But the German economic situation has become more worrying too. Inflation has moved back up to the 6 per cent level it hit last May and June. And there are fears that the current account deficit, which hit 28bn D-marks last year, will be hard to reduce.

The weakening D-mark is *itself a factor behind both* developments. There are worries that in spite of a flagging *economy Germany will have to* pay more than last year's DM66bn for its oil this year *simply because of the decline* of the dollar against the D-mark. The fall in the currency is also *adding to price inflation. Unless* the decline is halted some fear a vicious circle would evolve of *a weakening currency, feeding* on itself.

Dr. Leonhard Gleske, the Bundesbank's directorate member in charge of foreign exchange operations, last month summed up the fears. "The longer the depreciation of the D-mark lasts, and the more that this is spurred by lower interest rates, the more this will endanger the price stability on which all our hopes (for a recovery of the D-mark) are based."

But a factor beginning to worry people more is the fear of "weak government, weak currency." Even last October, as Herr Helmut Schmidt's coalition Government was re-elected with an apparently stronger majority, one senior Government official remarked privately that he doubted that the Social Democrat/Free Democrat coalition would survive another general election.

Since then tensions between the partners have intensified, fanned by disagreements over co-determination in industry and the repercussions of the political scandal in Berlin.

Herr Schmidt is seen to be under heavy fire from the Left-wing of his own party too. There are complaints that partly as a result there are signs of a lack of decisive leadership in such areas as energy and budget policy. The Government's *borrowing requirement is now expected to rise above DM 30bn in spite of assurances that it* would be held to last year's DM 28bn, and the markets are watching closely to see how determinedly the Chancellor fights for approval of the Brokdorf nuclear plant. They are also monitoring carefully the Government's response to demands for a Government programme to stimulate the economy, which it is feared could weaken the D-mark further.

It is against this background that the Bundesbank has acted. In the wake of Tuesday's moves *the D-mark has stabilised.* But until there is more consistent and promising economic and political news at home, *the authorities might be unwise to depend too much on the developments abroad to help the* D-mark.

MEN AND MATTERS

The end of the affair

I was struck, on visiting the Crown Agents Tribunal some months ago, by a feeling that it *had reached a perfect equilibrium* which, if left undisturbed, would maintain it in perpetuity. *The easy-going politeness, the* familiar faces, the smooth organisation, in sum a glimpse *of some long-lost era of English* tranquillity rediscovered in the hurly-burly of the West End. *Like, say, the building of the* Thames Barrier or the NatWest Tower, the process itself seemed to have become far more significant than the fairytale idea that it would ever be completed.

Sadly, it was not to be. After the 260th day of hearings the Tribunal has finally brought the curtain down, and its three wise men will now pick up their pens to write the weighty report.

The highspot of the whole business for "the media," as we are known, was the examination of property bankrupt William Stern. From the Commission's point of view, the most significant witnesses were probably Sir Claude Hayes, former chairman, and Alan Challis, *former finance director of the* Agents. The Governor of the Bank of England, Gordon Richardson, and his predecessor, Lord O'Brien, also made notable appearances towards the end of the saga.

The Tribunal produced 8.5m words of testimony, impeccably transcribed by Parliamentary shorthand-writers W. B. Gurney, and its total cost to December, 1980 was £1.7m.

Fortunately, the troika which hopes to present its report by year-end has experience on its *side.* Chairman The Honourable Mr. Justice Croom-Johnson served on the Butler Committee; Lord Allen of Abbeydale is a veteran of the Pearson Commission and Salmon Commission, while now heading the Gaming Board; and Sir William Slimmings will be long remembered for his co-authorship of the Department of Trade report *on Lonrho, whose racy tone* made it a City best-seller.

"The Social Democrats are trying to attract the kind of voter who likes to see his name in the paper"

Check out

With two Sainsburys on its list as well as Eirlys Roberts, ex-editor of Which, the Council for Social Democracy must have greatly enhanced its appeal to political consumers as the year's best buy.

But those who see the Sainsbury business as a ready source of funds for the emergent new party would appear to be wide of the mark.

"The company has never made political donations," says finance director, David Sainsbury. "Any contributions would be made as individuals. *Politically speaking, we are not* a very cohesive family."

Indeed so. Lord Sainsbury, joint president of the supermarket chain founded by his grandparents, has been a member of the Labour Party since 1945 and before the war fought three General Elections in Suffolk as a Liberal.

Nephew David, who joins him *among the ranks of the CSD* supporters, is also a member of the Labour Party, active par*ticularly in the Fabian Society* for which he recently wrote a pamphlet on industrial policy.

It is dissatisfaction on that score that has pushed him into the CSD. "The Conservative Government *does* nothing in spite of what it can see happening in industry . . . it refuses *to give* a lead on issues like industrial democracy," he says. "But I'm very doubtful now *whether* Labour *can produce* sensible policies."

Lord Sainsbury's sons will not be following father's political footsteps, however. Tim Sainsbury is already comfort*ably ensconced* as Tory MP for Hove and parliamentary private secretary to Michael Heseltine.

Sir John Sainsbury, *chairman* of the board, said recently that though interested in electoral reform he had neither the time nor the inclination for politics proper.

"I stand broadly in the middle," he added. "More to the right than the left."

Space age

This is the age of the brain: the average director of go-go new technology British Aerospace has, I calculate, seen 59.3 summers. "The ideal situation would have been to *have a more graded* board than we inherited from nationalisation," concedes chairman Sir Austin Pearce. A *night of the* long tooths?

King's flight

Expect a low profile from Sir *John King, at least in the early* days of his new job as chairman of British Airways. For though the eventual goal of the Babcock International boss, the selling of BA to the private sector, implies a fair amount of surgery over the next couple of years, "I would not want it thought," he cautions, "that I will sweep it all before me. There is a *steady job to be done.*"

King has been scouted out for a number of nationalised in*dustry jobs, including the chair*manship of BSC. Of these, only the Airways job appealed to *him, perhaps because he spends* by his own reckoning almost half of his life flying around.

His immediate objective is to forge his links with a board which he describes as "high-*calibre.*" *Nearer the ground,* he recognises overmanning as a problem which must be *addressed, as must the need* for investment in more fuel-efficient aircraft.

One of King's requests on accepting the job was that his NEB colleague, National West*minster Bank's Alex Dibbs,* would go with him. A third BA board appointment, a distinguished City figure, is likely soon to make up King's team.

The members of IATA lose *a collective £1bn in the past* year and BA will lose perhaps £100m this year. The Government has earmarked a further £85m borrowings this year for BA to pay its wages. One of the industry's main structural problems is that most of its members are fighting for market share at almost any cost. And while all stay in the fight, practically all must lose.

Will BA break ranks? "We have got to hang on for market share," says King. "If it is tough for us, it is tough for the opposition."

New brooms

What, I ask myself nervously, is brewing in Nigeria? An advert in an Accra newspaper appeals urgently for experienced magicians "capable of performing magical arts for at least four hours."

Summoning applicants to the Atomic Cinema, it *adds:* "Preference will be given to those who can 'kill and *resurrect*.'"

Observer

FINANCIAL TIMES SURVEY

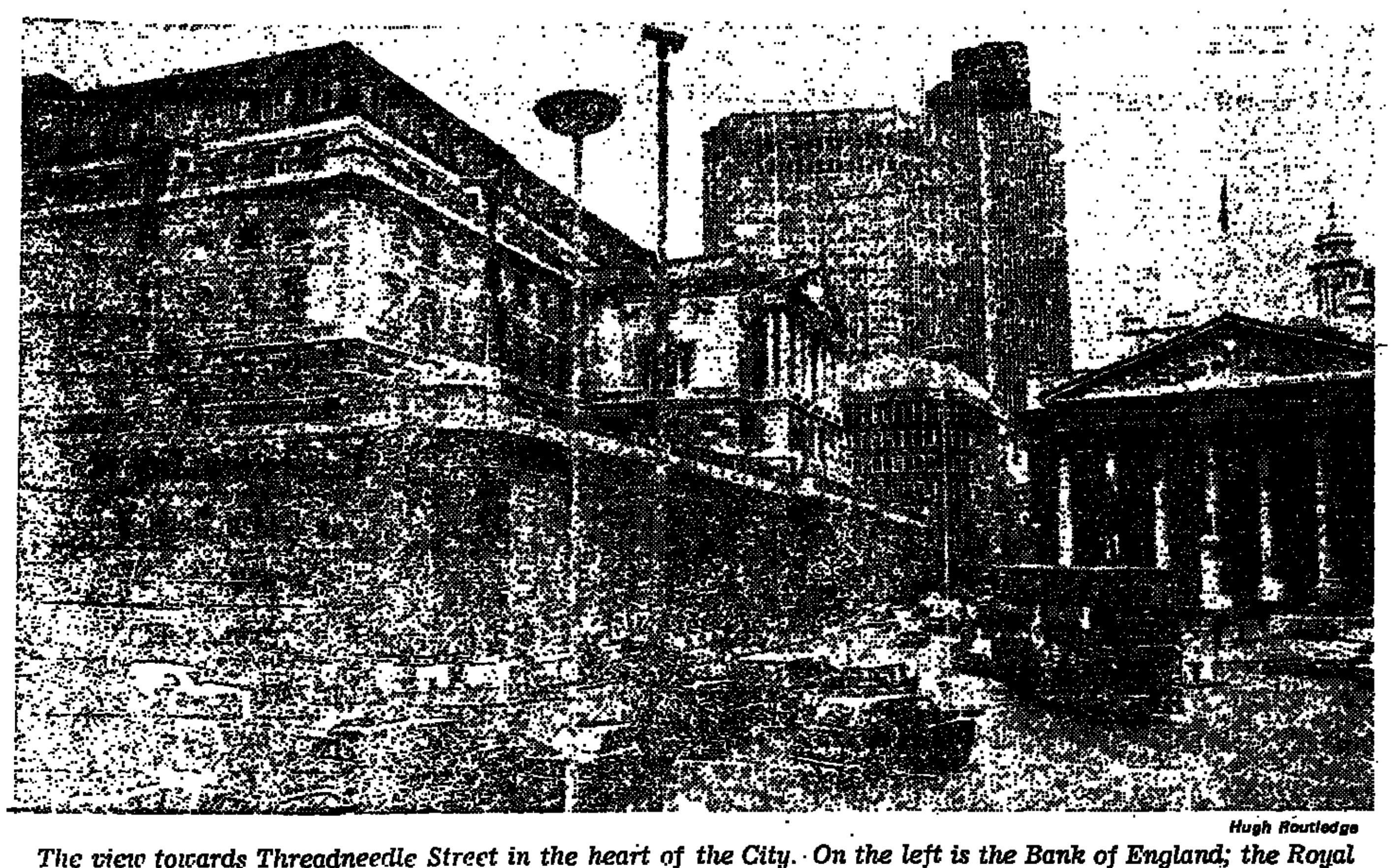
Friday February 6 1981

City Of London Property

CONTENTS

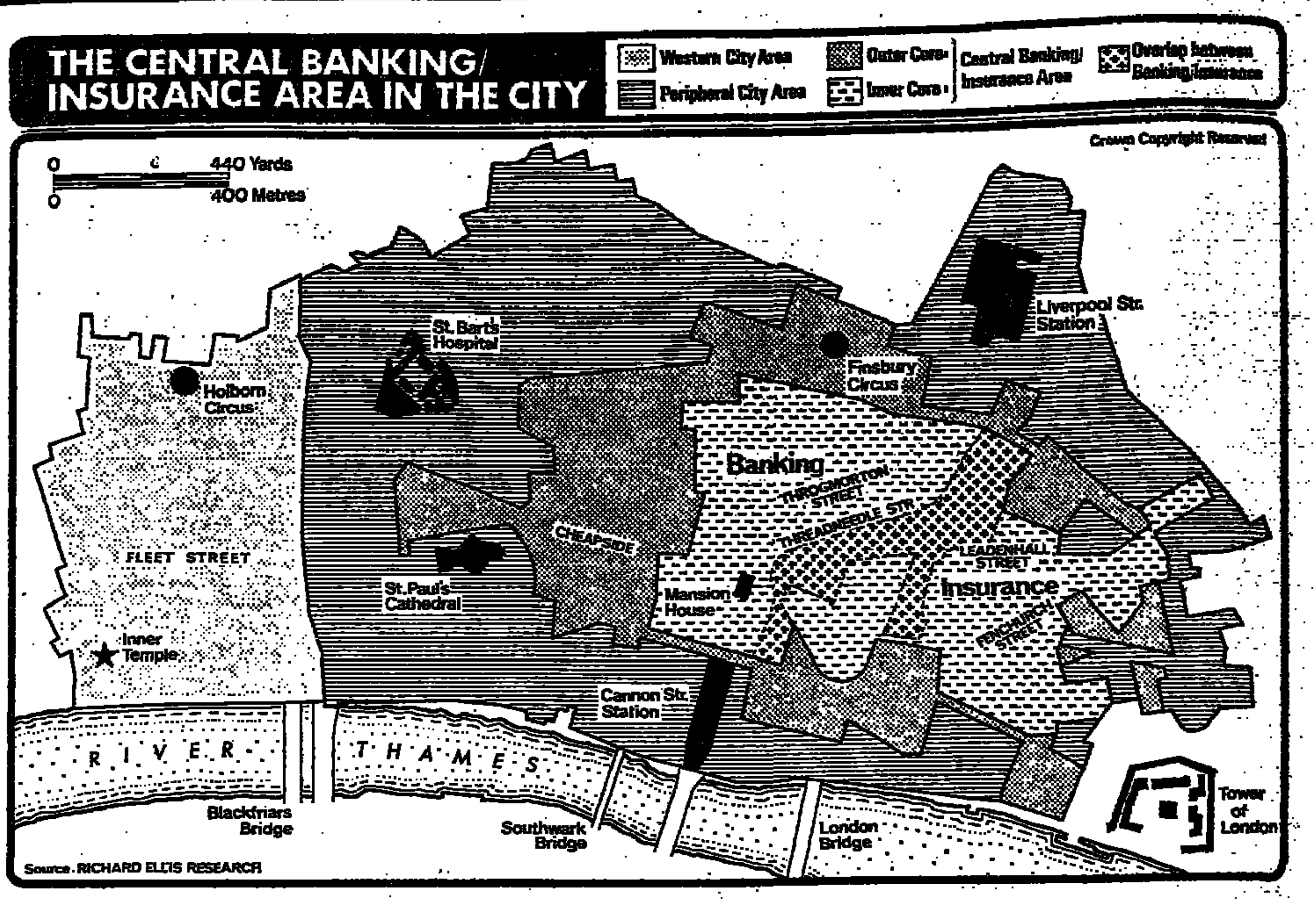
The City of London remains one of the most prestigious and desirable business locations in the world. Despite the ups-and-downs of the property market in the past decade, international demand for top quality office accommodation within the Square Mile remains as strong as ever.

CITY OF LONDON PROPERTY II



Hugh Routledge

The view towards Threadneedle Street in the heart of the City. On the left is the Bank of England; the Royal Exchange is on the right. Rents for prime offices in areas indicated in the diagram, right, range from £24 per sq ft in inner core areas; £21 per sq ft in outer core areas; £18 in peripheral areas and £16 in western City areas



Banks' expansion maintains pressure on space

MARKET TRENDS

MICHAEL CASSELL

ANYONE waiting for a replay of the last City of London property market collapse, when a record 10 per cent of floorspace sat empty and rents tumbled by anything up to 50 per cent, will be sorely disappointed by the Square Mile's current state of health.

For despite the domestic and international recession which forms the backcloth to the City's present activities, the property sector appears to be fighting fit and showing few of the symptoms which heralded what amounted to a nasty heart attack in the early 1970s.

There is plenty of evidence to suggest that the near-40m sq ft of real estate which goes to make up one of the most important property markets in the world is currently in slightly more sober mood, but there are few indications that any major upsets are around the corner.

Demand for space within the City area as a whole has unquestionably fallen, with take-up since the summer of 1980 estimated to be over 40 per cent down on the last demand peak, which was reached during the first half of 1978 when 2m sq ft of office accommodation went under offer.

While overall demand has been dropping, the supply of space coming on to the letting market has been rising. A substantial proportion of the newly available space has been in the shape of new schemes and, although as many as half of them have not even been completed, they have been brought early onto the market in anticipation of weakening demand and growing delays in getting buildings to the operational stage.

Rental growth has slowed—to around 10 per cent over the past year against 16 per cent during the preceding 12 months—but the position now appears to have stabilised and most City agents sound totally, if predictably, confident about the outlook.

The total new supply of office space likely to emerge on to the City market during the early 1980s will be substantial, averaging around 3m sq ft a year but reaching as much as 3½m sq ft during the current 12 month period, mainly due to the high level of development completions due.

City agents Richard Ellis say that over 2m sq ft of new speculative office space will be completed in 1981, just topping the last development peak of 1975. Together with the new supply in existing buildings, the excess of expected space over demand could be as high as 1m sq ft this year, broadly repeating the pattern established in 1980.

Against this background, rental growth during the next 12 months is likely to range between 5 per cent and 10 per cent. The expectation is, however, that rents should begin to show greater growth once the overall supply and demand equation comes more into balance during 1982. Some analysts expect a shortage of space to provoke substantial rent rises which could, by 1985, take prime rents in the central property area up to £40 or £45 a sq ft.

But there is a danger that the use of global figures to illustrate the overall state of the City property sector can be misleading, given the continuing development of a clear market definition between the prime inner core and the peripheral areas.

According to Mr. Clive Arding of Richard Ellis, the historically high level of supply and modest demand levels may mean an overall surplus of space but he goes on to point out that, if anything, a reverse situation exists within the so-called prime inner core, dominated by the banks and the insurance companies.

Strong demand

"In these areas, there is simply not sufficient accommodation to meet current demand and the location-sensitive nature of the occupants means that their need for space is unlikely to filter through in the form of greater take-up in the outer areas. Most will prefer to simply stick where they are and to wait.

"The recession still shows no sign of affecting demand at the City's heart, although it is fair to say that balance between supply and demand within the central core looks paper thin," Mr. Arding adds.

The strength of the inner area is again reflected in the pattern of rental growth, with increases over the last year for prime space reaching around 20 per cent against the 10 per cent average.

Some degree of drift towards the outer edges of the prime areas seems inevitable, given the sheer shortage of available space and the poor prospects for an improvement in availability over the longer-term. Although new development activity is at a peak, few of the schemes are in the central area and many are located in positions which will not immediately appeal to many types of tenant.

Those companies which might drift slowly outwards — the trend is already established — include accountants, solicitors, some merchant banks and unit trust operations.

The impact of the spate of new, large developments taking place outside the traditional City office locations is hard to determine and though most City property experts feel that the new ring of outer office schemes will be absorbed without weakening the market the truth is that their effect remains uncertain.

Some surprising decisions to relocate away from the inner core have been taken by some surprising occupants — including the major banks—and if there is to be no major net release of space in the preferred areas, their options must be limited.

Development in some of the outlying areas is no longer a matter for architects' imaginations. The eastern fringe of the City is now peppered with a range of new schemes offering the highest standards of accommodation and pre-lettings to substantial tenants have allayed any fears about the area's potential.

The South Bank of the Thames has now also emerged as a something more than a misty-eyed option and while the planning obstacles in the way of large-scale redevelopment should not be minimised, there now seems a real prospect that millions of square feet of new office space could be built within the next few years. It would be hard to imagine many occupants of Leadenhall Street or Lombard Street relocating across the water but South Bank offices could offer a useful overspill area and Greycoat Commercial is supporting its case for the Coin Street redevelopment with names like Phillips Petroleum and Citibank as potential occupiers.

It is without doubt the banks which have continued to call the tune back across the river over the last year and there seems every indication that they will remain in this predominant position for the foreseeable future. According to Mr. Chris Peacock of Jones Lang Wootton, most major central lettings have involved banks who have been expanding even while parts of their operations have been rationalised.

Backbone

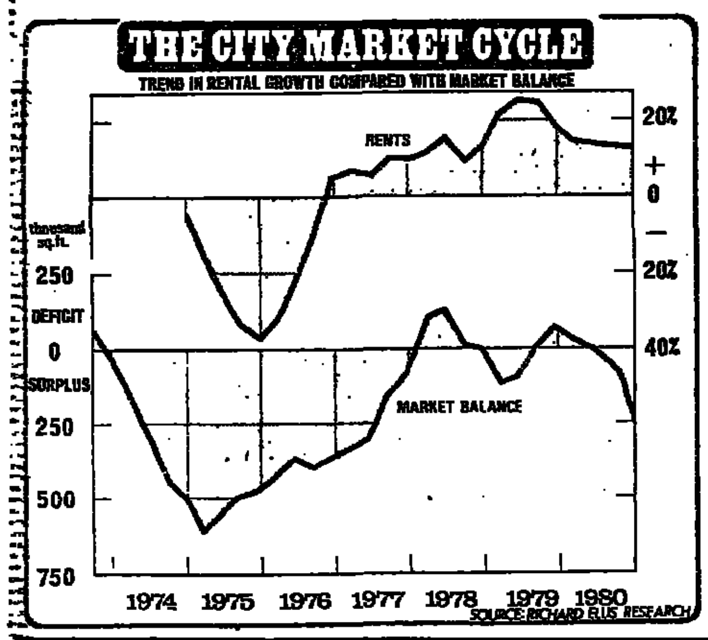
"The combination of expansion by banks, particularly by their international divisions, and the growing influx of overseas banks has maintained pressures on available space and on rentals. The banks proved to be the backbone of the City office market in 1980 and will be again in 1981.

"Some overseas banks are now not even going through the representative office phase and plunging straight into branch operations. European banks in particular are taking an interest where before they were fairly reluctant."

Mr. Peacock says that City tenants generally are becoming increasingly aware of the problems of expansion within the traditional location areas and, as a result, are taking space which is surplus to their immediate requirements. The fashion has given rise to growing numbers of sub-tenants on short (five-10 year) leases who can be moved on when the space is required. As both parties are likely to want to expand, the arrangement seems to be working well.

From a longer-term point of view, the indications are that the continuing attraction of the City as an international business location, together with increasingly inhibitive planning regulations and a finite number of potential redevelopment possibilities during any one period, will help maintain the local property market's strength.

The growing use of refurbishment (now arguably as costly as new construction) and the provision, whenever possible, of new, prime-located space will inevitably satisfy most demands. But it is tempting to suggest that, despite its longstanding refusal to swell and spread, the traditional City property market boundaries will have no choice but to edge further outwards over the next decade.



Prediction of £45 sq. ft. for central premises by 1985

RENTAL GROWTH

RAY MAUGHAN

THE TREND line of a graph of rents, prepared by agents Richard Ellis in the latest City of London Office Accommodation Review, projects a rise to around £45 sq ft for prime central premises by 1985. It is fair to point out that rents would still not equate with the level of about £20 per sq ft reached in 1973, if an adjustment is made for inflation in the intervening period, but top quality locations are only now achieving £25 per sq ft; can they really put on £20 and more per sq ft in the next five years?

It will be a tall order. Although the level of profitability, salaries and confidence in the City sometimes seems blithely unaware of events in the rest of the country, the Square Mile cannot be untouched by the engulfing recession. Its effects are already becoming apparent.

Richard Ellis' City Rent Index, which monitors values of a representative cross section of City properties, recorded an overall increase of 10 per cent during 1980 which shows a noticeable deceleration from the 16 per cent growth rate of 1979. The City of London Rents Index, compiled jointly by the Royal Institution of Chartered Surveyors and the Institute of Actuaries, shows some variation with growth of only 8 per cent in rents for all types of buildings last year, but the trend is doubtless the same.

Pattern

The agent's survey points out that increases in the supply of accommodation become marked at two points during a business cycle; first, at the onset of a recession, and secondly when the market later shows signs of improvements. This is a pattern, Richard Ellis asserts, that has been prevalent throughout the last decade and thought likely to continue in future.

The City of London office property market regained equilibrium in 1977 after a period of considerable over-supply. The total availability of space on the open market has declined from a May, 1977, peak of 4.3m sq ft to 1.9m sq ft by December, 1980. That compares with a total stock of office premises of an estimated 39.5m sq ft.

But the firm now notices a rising amount of space coming on to the letting market, an upturn that began near the beginning of last year. Much of the new space is in new developments, almost half of which has yet to be completed.

The supply of new space reached 3.m sq ft last year against 2.6m sq ft in 1979 and the total annual input is expected to remain high in the early years of the current decade.

New space coming on stream is expected to reach 3.5m sq ft, due largely to the high level of development completions in the latter part of the year. Relatively few of these developments have yet been openly marketed, say the agents.

Thus, the City market seems to be moving into a minor surplus. The rate of take-up since the summer is thought to be 44 per cent below the space leased in the first six months of 1978 when 2m sq ft went under offer.

Will the rate of growth accelerate once more? The RICS/IoA survey shows that, having grown 1.6 per cent in the six months between beginning of the second and the end of third quarters last year, rents subsequently rose by 2.7 per cent in the final quarter.

The survey also highlighted some interesting variations in the rental growth between types of offices. Refurbished premises built before 1939 have shown the strongest growth with a rise of 10.6 per cent last year. Post-war premises, without air-conditioning showed 8.2 per cent appreciation and their air-conditioned counterparts achieved a rise of 7.44 per cent. Air conditioned buildings completed after 1974 surprisingly showed the slowest growth at 6.9 per cent.

The variation is intriguing since demand is always understood to have been concentrated on top quality or prime accommodation. That means that the space should be purpose built, modern and air-conditioned. There is no ready explanation for the relative under-performance of sites in the prime categories but it may be that, coming from a lower base, rents in older refurbished premises are simply showing the better proportionate advances as demand spills over into second choice properties.

The discrepancies are also showing up in location. The Investors Chronicle/Hillier Parker rent index reveals what brokers Simon and Coates term "striking differences" in annual growth rates over the last three years between different areas in London.

Tracing the uplift between May, 1977, and November last year, this index shows that rents in the City's centre climbed by 53 per cent while those in the fringes of the Square Mile expanded by 84 per cent. The West End and Holborn/Marylebone areas also demonstrated marked out-performance of the City.

Choice

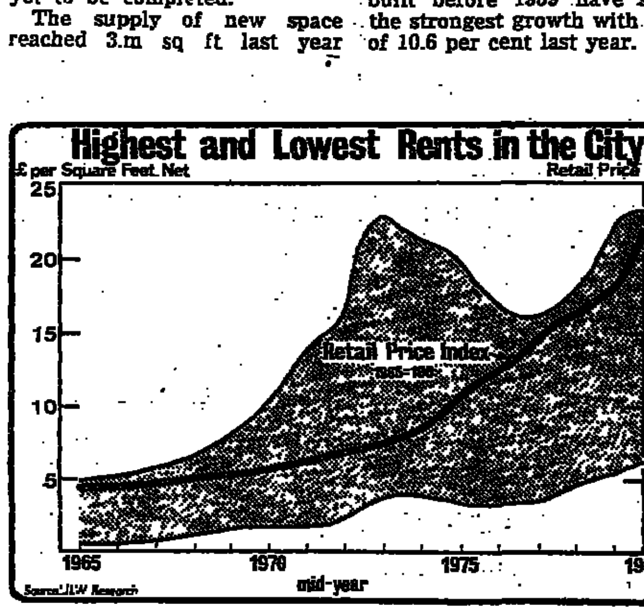
Again this may reflect a better relative rise from a lower base and, in the case of the perimeters of the City and the Holborn districts, it may also reflect the choice, by those tenants whose businesses permit, not to locate right in the heart of London's financial community.

City tenants are shown to be remarkably mobile, anyway. The Richard Ellis survey indicates that at least a third of the available accommodation has been let since the 1977 recovery—a symptom perhaps of an expanding and successful sector—and it may be that many tenants will be seeking new moves, should the agent's rental prognosis prove correct.

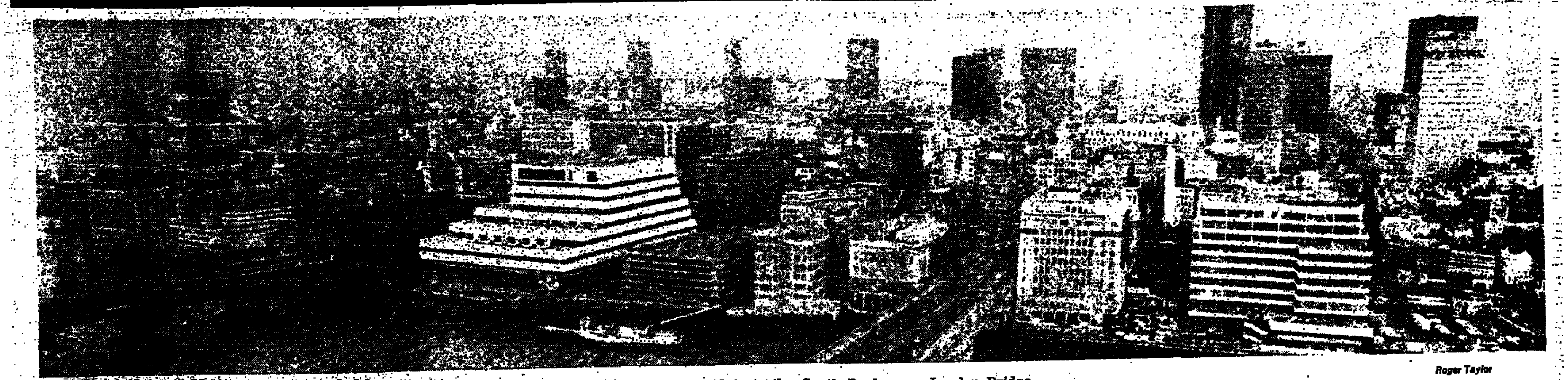
It is very doubtful whether the insurance industry will cease its dependence on Lime Street or whether the banking sector will ever live happily outside the shadow of the Bank of England, in Threadneedle Street.

Those prepared to seek new pastures should not have to move very far, given the large tracts of development now under construction and consideration along the South Bank.

Given that the City's traditional inhabitants intend to stay put, however, the principal causes of rental resurgence will be two-fold: First, after two or three years of substantial supply, input will fall dramatically in 1984 and 1985. At the same time, the banking and insurance sectors will be showing renewed growth and confidence, reflected by a rising tide of incoming competition from abroad.



By showing the highest and lowest rents achieved in the City in 1980 and previous years, it avoids applying a single progression of rents to all the various property markets within the square mile. Jones Lang Wootton Research adds that while some areas have shown considerable growth over the past year—possibly as a result of key companies relocating to sizeable and new accommodation in the periphery —the best rent achieved has only advanced from £22.50 a sq ft to £23.50, a rate of increase substantially less than inflation (as measured by the Retail Price Index).



The City skyline, viewed from the South Bank, near London Bridge

Roger Taylor

Transformed Square Mile still short of square feet

DEVELOPMENT

MICHAEL CASSELL

DESPITE THE combined effect of development, which in the past 15 years has provided more than 13m square feet of new office space, and the growing trend towards rehabilitation to give existing buildings a new lease of life, the City's accommodation demands remain far from satisfied.

Space take-up, which fluctuates with national and international economic cycles, may currently be at a low ebb overall and there are some longer-term doubts about the impact of new office technology on future space requirements. But as yet there is no real evidence to suggest that the underlying pressures for City space, which for years have characterised the Square Mile's property market, are about to undergo any fundamental change.

The source of demand and the type of accommodation required may alter significantly and there seems every likelihood that the property market's ability to respond within the traditional City boundaries may become increasingly more difficult, but the basic need for floorspace in or around one of the world's major financial and commercial centres seems unlikely to alter.

The substantial and continuing development programme within the City has, despite the sharp fluctuations in activity, completely transformed most areas of the Square Mile since the last war and yet a high proportion of occupants remain unhappy with their accommodation.

A report published last year by Jones Lang Wootton, one of the largest City agents, pointed out that dissatisfaction with current office space existed among a significant minority of all types of occupiers—the most common source of complaints centring on the size of accommodation (too big or too small), the running costs involved or the age of the property.

But, just as significantly, the same survey went on to show that, for most occupiers, their central City location remained of paramount importance despite the disadvantages of their existing accommodation. To accept an alternative address on the City fringes, let alone beyond the traditional City boundaries, was generally held to be feasible for fewer than 30 per cent of companies in any of the major financial and service sectors. Few insurance companies and even fewer banks were prepared to consider anything but the most central of central locations.

So if existing City office users, as well as newcomers, continue over the long term to want more and better-quality space, most seem likely to require it within a very short distance of the established centre. It *is in meeting these* requirements that the developers confront a major problem and at least some occupiers might have to revise their view of what constitutes an acceptable location.

As Jones Lang Wootton pointed out, a substantial proportion of the office buildings in the City's principal areas have been or are now being replaced or modernised. While older properties seem to be the most likely to go as a result of further new development schemes, in practice the opportunities are restricted—especially for larger developments—because of the limited *size of many individual sites.*

Scope for redevelopment is further limited because it is now difficult to obtain significant increases in floorspace and value, because the location of existing buildings already enables them to command high rents.

Fringes

According to Jones Lang Wootton, development is for these reasons more likely to take place further towards the City boundaries—a process which is already well underway—at least until more buildings in the preferred areas become obsolete.

The release of older property for modernisation could take time, however, given the fact that 40 per cent of the property in the prime areas has been constructed since 1965 or has already been refurbished, or has planning permission for *redevelopment.*

The JLW report added: "There is a significant, enforced movement of larger firms towards the edge of the City in order to find the larger-size office blocks, preferably self-contained.

"Our surveys show extremely limited scope for further substantial, individual redevelopments in the main office area and we therefore expect continued demand towards the edges of the City for units of 50,000 sq. ft. net or more."

Despite the present weakness in demand for offices—take up in the City since last summer has been running at more than 40 per cent down on the level recorded in the first half of 1978; the current level of speculative development has reached a peak, as it did during the last recession.

The supply of new space coming through the pipeline, reflecting the time-lag inherent in the development cycle, is expected to reach a little over 2m sq ft during 1981, according to Richard Ellis, another agent with a close involvement in the City office market.

Ellis points out that although newly-developed buildings and refurbished ones provide only a third of all office space which becomes available in the City they form an important sector of the market, providing the highest standards and invariably commanding the highest rents.

This year's 2m sq ft-plus projection for new space comes at a time when recessionary influences are dampening down demand and its emergence will help maintain the overall surplus of City floorspace which arose during 1980.

Together with the estimated 1¼m sq ft of existing office space coming on to the market during the current year, the total new supply of about 3¼m sq ft is likely to throw up a surplus of about 1m sq ft. Ellis does not regard this as a serious oversupply and believes that with a halving in development completions due in 1982 onwards, improving business conditions will result in a shortage of office space by 1983.

Lower level

The agents see a much lower level of new schemes coming on to the market in 1984 and 1985 and doubt whether that position could change materially if some schemes now hanging fire because of developers' uncertainties over economic prospects were brought forward.

Ellis confirms that much of the newly-developed space is in peripheral City locations, principally to the south of Cannon Street, around Eastcheap and to the east of Lloyds Avenue and St. Mary Axe. Few of the larger buildings being developed or planned are within the inner core of the banking and insurance areas.

The agents believe that the confidence of developers—as likely to be end-users as speculative operators—has not yet been affected by the current recession. New plans remain under consideration although the slowdown in rental growth at a time of continuing (albeit slowing) inflation may cause a temporary delay for some schemes.

Ellis also supports the view that few very large speculative developments will get under way during the present decade. Such major schemes pose a financing problem to all but the largest property companies and institutions. As in the case of occupiers such as National Westminster and Lloyd's of London, traditional City space users owning a suitable site tend to redevelop their own property to meet changing requirements.

Refurbishment has made a major contribution towards the provision of high-quality office floorspace and in recent years has become broadly more financially attractive, though it is by no means guaranteed to represent the most cost-effective alternative. Even so, the modernisation of existing stock is expected to prove the first choice when older buildings become vacant over the next few years.

Although many older properties have already been improved they have not been refurbished to a high standard and it is estimated that half of the more modern, post-war office space is not air conditioned. The general standard of this kind of accommodation is regarded as low in comparison to that found in other international office centres and scope exists for improving these relatively modern offices, a trend which has already started.

CITY DEVELOPMENTS

Projects planned for owner occupation, 1981-86

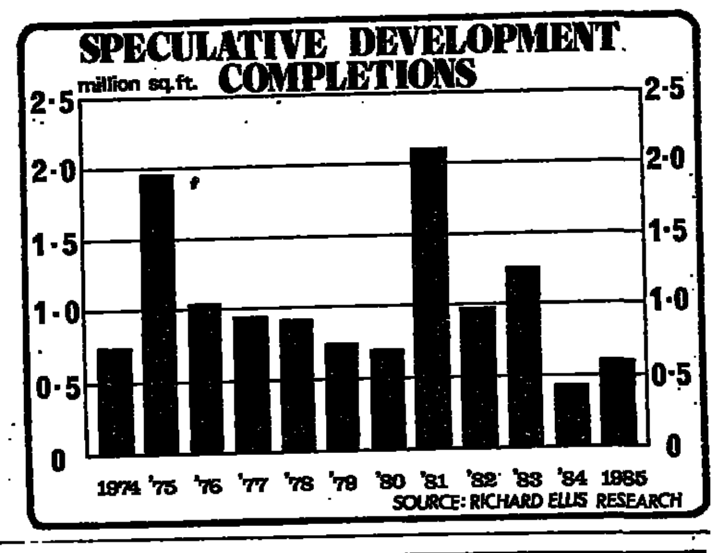
Planned by:	sq ft	
Banks and insurance	1,180,000	(8 schemes)
Other occupiers	470,000	(7 schemes)
Total for owner occupation	1,650,000	(15 schemes)

FOREIGN BANKS

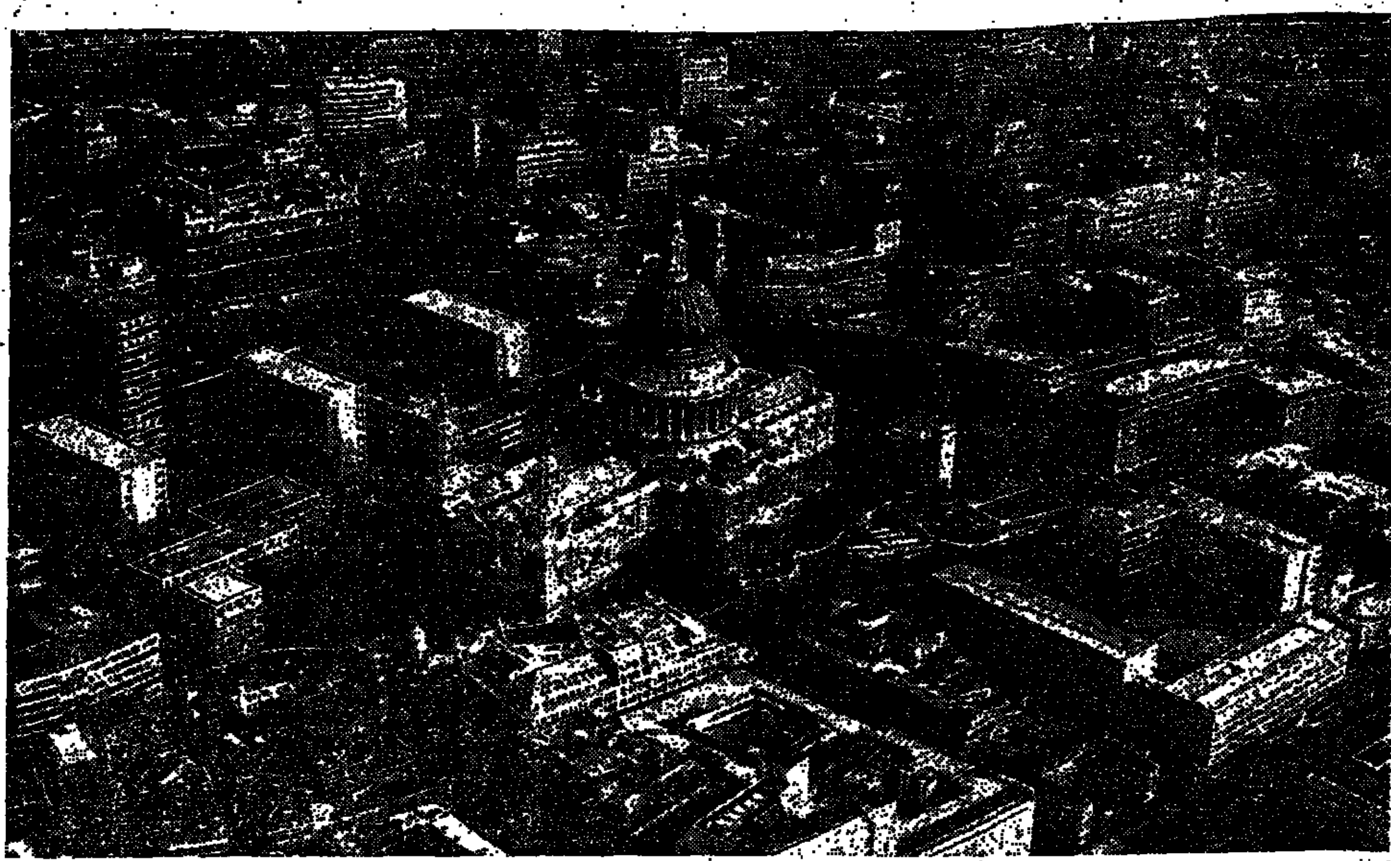
Office units occupied by foreign banks in the City, summer, 1979

Size of unit	Number of units
Under 5,000 sq ft	189 units
5,000 to 10,000 sq ft	85 units
10,000 to 30,000 sq ft	50 units
Over 30,000 sq ft	20 units

Source: Richard Ellis.



Big demand for prestige addresses



In recent years, the City has been unable to meet tenant demand because of a shortage of office accommodation. Top rents for large air-conditioned space are now running at around £25 a sq ft

RELOCATION

ANDREW TAYLOR

THE CITY of London remains one of the most prestigious and desirable business locations in the world. Despite the ups-and-downs of the property market during the past decade, international demand for top quality office accommodation within the Square Mile remains as strong as ever.

Fears that large amounts of City office space will lie empty as companies desert central London in search of cheaper rents have so far proved groundless. There has been no lack of blue-chip tenants queueing up to occupy space that has been vacated.

The experience of the past 10 years shows that while the total number of people employed in central London offices has fallen — as routine clerical jobs have been moved out — there has been no corresponding decline in the amount of City office space occupied. In fact, in recent years the City has been unable to meet tenant demand because of a shortage of office accommodation, even though the total amount of office space in the City increased from 37m sq ft in 1974 to 39.5m sq ft in 1979.

A particular problem for banks seeking premises with prestigious addresses in the City has been that the right kind of large air-conditioned accommodation, with areas suitable for banking halls, has not been available on the market. That is not to say that banks did not take a lot of space in 1980, but many property experts believe that the potential for rental growth for top-quality large space in the best City locations was seriously inhibited last year because of the lack of available premises rather than by lack of demand.

It certainly seems fair to suggest that demand would be very strong if a building of this type—in one of the preferred banking locations—were to come on to the market now. Mr. Chris Peacock, of commercial property agents Jones Lang Wootton, said: "If such a deal were available then I would not be surprised to see a new record rent being struck. Top rents for large air-conditioned space in the City are currently running at around £25 a sq ft."

Such deals, however, look like being few and far between. Although there is a relatively plentiful supply of sizeable new office developments (by comparison with recent years) taking place in City fringe areas, the same cannot be said of the City's "inner core": the main banking and insurance area around the Bank of England and Lloyds of London.

It is in this area where tenant demand, particularly from international banks, is strongest and where the greatest potential for increases in rent lies. Richard Ellis, commercial property agents, recently suggested that office rents within the City's inner core may rise as high as £45 a sq. ft. by 1985.

However it may be that some banks and financial institutions seeking space within the "inner core" may be forced to look elsewhere because of the current shortage of the right kind of accommodation. Others will continue to seek to locate some of their offices in areas where rents are cheaper.

For example, Williams and Glyn's bank recently announced plans to fund a 324,000 sq. ft. office and shop development in Islington with Williams and Glyn's itself intending to occupy 186,000 sq. ft. of the office content. At the same time National Westminster Bank has agreed to take around 85,000 sq. ft. of offices in the second phase of Town and City Properties' Kings Cross House development at the junction of Calshot Street and Pentonville Road in Islington. The £8.5m scheme is due for completion by the end of 1982.

Routine

Other banks and financial institutions have already transferred some of their more routine head office jobs to other locations. This list includes Midland Bank which has opened offices in Sheffield, Citibank in Lewisham, Charter Consolidated in Ashford, Sun Life in Bristol, Barclays Bank in Poole and Rothschilds in Croydon.

However, while leading British banks may have decentralised some of their head office departments, they have also been taking extra space in the City as their international divisions have expanded. Development and deals carried out in recent years by the clearing banks include: the National Westminster Tower, a major refurbishment for Barclays Bank International in Gracechurch Street and acquisitions by Midland Bank in Cannon Street and Fenchurch Street.

Last year Barclays Bank also took all 40,000 sq ft at Chatsworth House, St. Mary Axe, for a rental of around £600,000 a year.

More recently National Westminster successfully tendered to buy the former Bank of Adelaide building in Leadenhall Street while a banking occupant is believed to have been lined up to take most, if not all, the space in 78,000 sq ft Watling Court scheme on the southern end of Bow Lane, being carried out by Electricity Supply Nominees.

At the same time as British banks have been seeking to expand in the City the number of foreign banks starting operations in London — mostly in the City — has grown considerably. Last year more foreign banks opened premises in London than ever before, according to a survey just completed by Noel Alexander Associates, sister company to property and banking consultants Noel Alexander and Partners. This showed that by the end of last year there were no less than 383 foreign banks with premises in central London — 95 per cent in the City. This compared with just 158 foreign banks operating in London in 1970.

While the number of new international banks seeking offices in London has increased other international banks, which have been here for some years, have outgrown their original premises and are expanding. Last year Deutsche Bank, urgently needing to expand from its existing Moorgate premises, agreed to take 70,000 sq ft at 6-8 Bishopsgate at a rent of around £23.50 a sq ft.

This continuing strong international demand for City premises—which held up even during the 1974-75 property collapse—underlines the attractions of this market. Routine clerical functions may have been relocated but the need to retain and expand executive offices in the City remains as strong as ever. For major national and international office users, such as the banks and insurance groups, the City provides a range and breadth of corporate and financial services unparalleled in any other world centre. It is undoubtedly the single most important financial market within the EEC, backed by its historic links with present and former Commonwealth countries and its traditional close relationships with U.S. banks and financial institutions.

The attraction of the City as a premier world business community—offering a comprehensive blend of banking, insurance, shipping, equity, commodity markets and institutions, all operating within a stone's throw of each other—is unique. Thus, the possibility of office relocation away from the City—either as a result of political moves or financial pressures—has never been regarded as a serious threat by many of those operating in the City property market. These argue, and so far quite rightly, that there will always be tenants who need to be near the seat of Government and the specialist financial skills the City offers.

Scope

Moreover, it is arguable that the scope for further rationalisation of head office functions is now considerably reduced given that many routine clerical jobs have already been moved out — or are in the process of moving away — from central London. For example, Tube Investment's decision last year to relinquish around 58,000 sq ft of offices at Bridgewater House, Cleveland Row, SW1, follows the group's decision, taken many years ago, to concentrate its head office activities in Edgbaston, Birmingham, close to its major manufacturing operations.

It may be that other manufacturing companies may also seek to move closer to their operating subsidiaries but it is difficult to see how this will rebound on the City, given the strength of demand for office accommodation from the financial sectors.

Analysis of office space requirements in central London also shows that while the number of people employed in clerical work has declined the amount of space taken by the remaining office user has risen, as routine office functions have been replaced by higher level managerial and financial functions.

Thus, office relocation plans and the onset of new office technology, which may reduce the need for clerical staff, is not being seen as a major threat to the City of London property market. Whether the same can be said of other markets, and schemes now being planned, outside the City boundaries is another matter.

Attractions of new development on the door step

THE CITY'S EASTERN BOUNDARY

TERRY GARRETT

THE FRONTIER of "acceptable" City addresses has been pushed further eastwards in the last few years. Currently, the area east of Houndsditch sweeping southwards east of the Minories towards the river is probably the most active development area in the whole of inner London.

The rapid pace of new office development in the eastern reaches is in sharp contrast to the picture of inner city decay that was so evident at the beginning of the 1970s. Tower Hamlets council rather belatedly woke up to the needs of commercial development in its area. Until a few years ago the City stopped dead in its tracks just past Fenchurch Street Station.

Development, admittedly peripheral to the hard core City, pushed northwards and westwards but rarely eastwards. Yet the eastern area of the City core provided a wealth of potential tenants from the insurance world, and to a lesser extent from commodity and shipping brokers.

It would be wrong to imply that the recent spread eastwards is the work of one man but nevertheless Trevor Burfield of agents Lander Burfield was one of the driving forces in developing the area adjacent to Aldgate High Street. He says that he first saw the potential of tapping the expanding insurance market around Lloyd's and taking it eastwards 12 years ago.

With Wingate handling the development (when Wingate was part of Wimpey), Burfield as agent, and insurance broker Bain Dawes as the potential tenant, the long haul for planning permission got under way. In August 1976 construction began on the first phase of the Wingate development (or Latham House as it has been renamed) and two years later Bain Dawes moved in to its 66,000 sq ft of office space.

The second phase of Latham House has now been completed. Four or five floors are already let at £16 a sq ft. Units could be had from 5,000 to 60,000 sq ft but all that is left on offer is around 50,000 sq ft in total and that appears to be disappearing rapidly.

St. Katherine Docks Roger Taylor

In all Latham House is part of a 12½ acre site which will be completed by 1984. The big selling point of office space in this area, quite apart from it being one of the few districts where substantial new office building can take place, is its nearness to Lloyds. It is less than a quarter of a mile from Lloyds and only half a mile from the City centre of the Bank and the Stock Exchange.

The main attraction must be for insurance brokers, especially as a spate of recent mergers have thrown up the need to get several offices under one roof to improve efficiency.

Lower cost

The other important point is that the new area towards the east offers good accommodation close to Lloyds at a much lower cost. Rents in the Wingate area are about £16 a sq ft compared with, say, £22 a sq ft for an office in the traditional insurance broker area a couple of hundred yards down the road.

The economics for a group like Sedgwick, which is extending its office space in the area with a second development in conjunction with Wingate (now independent of Wimpey) on the Gardiners Corner island site, are obvious. The Sedgwick/Wingate development will take in a net 200,000 sq ft of office space for its own use. There is a leisure centre, 50,000 sq ft comprising a sports complex and a theatre, and a large car parking area amounting to 112,000 sq ft.

But the attraction of the area is not confined to those in insurance broking. National Westminster took a big step in adding to the area's credibility when it took a large complex for its computer operations, going even further eastwards than the Wingate development. National Westminster is not the only organisation to look outside the traditional tightly knit banking area. Trevor Burfield is talking to at least one bank which is interested in space he is offering in the eastern extremities of the City.

The proposed Whitechapel development by Sam Chippindale includes plans for 350,000 sq ft of office space. The scheme is basically for retail development but the office content was included following an approach to the developers by a bank which wanted to extend its service operations into an eastern site.

Agents, Michael Laurie, says that the plans are now awaiting Ministerial approval. They have been sitting with the Department of the Environment since just before Christmas but now offices may not feature in the final building.

The bank pulled out because it could not wait until 1985, when the development is likely to be completed. The offices will not be included, the agents say, unless there is a definite pre-let. However, by 1985 Whitechapel may well have the "City" knocking on its front door, so there may be no shortage of interested parties before then for the possible substantial office content.

Grant and Partners also report a growing willingness to move further east. They have a small site in Whitechapel which is not even on the market yet but has already created plenty of interest on the grapevine from would-be developers and owner-occupiers.

A major City institution is also interested in the Wingate/Norwich Union scheme just south of Latham House known as Goodmans Yard. In all, the development offers 195,000 sq ft net of office space.

Haslemere Estates is active in Bevis Marks which runs close to the Houndsditch. Newton Perkins and Forbes are the agents to what will be 100,000 sq ft of office space. As yet the site has only just been cleared and although the area is often considered a bit of a backwater the development is less than 200 yards away from Lloyds, and if current trends are anything to go by when the office is completed in 1982-83 it very likely will house an insurance broker.

Across Houndsditch, a major development is under way with a joint scheme from Greycoat Commercial Estates and Standard Life Assurance—Cutlers Gardens. The letting campaign for the 510,000 sq ft of office space available is due to start soon. A figure of £18 a sq ft has been rumoured though no pre-letting has been done.

Southwards, Taylor Woodrow is currently developing 300,000 sq ft gross of office space by the World Trade Centre at St. Katherine Docks. It is an area which is unlikely to find tenants from the majors in the insurance world, which appear to be taking the majority of space in the eastern fringe. Though the developers see the site attracting organisations with strong international connections and the area does have its own particular charm, St. Katherine Docks does feel more out of the mainstream even than Aldgate and Whitechapel.

In the Liverpool Street/Old Broad Street area much depends on what happens to British Rail's plans for redevelopment. These could provide about 800,000 sq ft of space and with developments planned for Wilson Street, Sun Street and Eldon Street a whole new centre could open up.

With so much new development likely to come through in the next few years some are questioning whether there will be an oversupply in the peripheral area by the mid-1980s. This seems unlikely judging by the rate at which new space is currently being devoured.

Of course, demand in the outer edges must hinge on a shortage of good accommodation in the City core. Any slackening in demand in the central area must knock-on to the eastern boundary.

Much potential for redevelopment

THE SOUTH BANK

MICHAEL CASSELL

THE SOUTH Bank of the Thames stands tantalisingly close but, in most minds, hopelessly far away from what is arguably the most important and influential property market in the world.

The tower blocks of the Square Mile are only the width of the Thames away, but few rivers can separate such starkly contrasting inner-city areas. To the north lies one of the leading international commercial and financial centres, where a square foot of office space can cost £25 a year or more and where tenants compete to pay it; to the south, a maze of decaying property and run-down streets, sprinkled with the occasional new building, but still largely offering a potential which remains unfulfilled.

For despite the steadily rising demand for office space within the City of London and the growing inability of the property market to respond, there has been for many years a stubborn refusal on the part of potential occupants, developers and planners alike to consider an extension of those boundaries which constitute an acceptable central office location.

The case against the transformation of the South Bank into an extension of the City may be stronger—because of the river's intervention—than for some other fringe areas, but the layman may, nevertheless, be forgiven for failing to understand why, despite the enormous and mounting pressures brought to bear on the prime property locations, the walls of resistance have not weakened.

There are a number of reasons why, until now, this has not happened. The City has, through a combination of new development and refurbishment, been able to meet the requirements of most of its new and existing occupants. The trend towards decentralisation—now effectively complete—also provided some temporary let-up on space pressures.

Only now is the situation becoming more problematical and less-easily solved. Development opportunities are becoming scarce, demand for large slabs of office space cannot as easily be met and City planners are adopting a justifiably more inhibitive approach towards new schemes.

Even if some occupiers had wished to consider locations immediately beyond the City area, there would have been few schemes to choose from. The developers and their funding partners have often preferred to respond to demand, rather than to shape it, and they have for years regarded the fringe areas as a gamble which they did not have to take.

So the fate of areas such as the South Bank has for years been enmeshed in something approaching a psychological stalemate, with prospective occupants unable even to consider them as suitable office locations because of the developers' inactivity.

Catalyst needed

There has been a clear need for a catalyst to break the deadlock and while that role could have fallen to the planners, they have not generally picked it up. The attitudes of the authorities in some of the potential South Bank development areas has not been conducive to large-scale commercial development and, while they have plucked out numerous statistics to prove that London is over-developed in respect of offices, their opposition runs much deeper than any disagreement on the required amount of office floorspace.

The deadlock now appears to be weakening. There is no suggestion that the dominant City occupiers, such as the banks and the insurance companies, are about to end their near-obsession for the "correct" address and flood south over the river to occupy any floorspace provided, but their own expansion within the City's core is inevitably creating a ripple effect which will have an impact on the outer boundaries.

As competition mounts for prime-located space and rents continue to rise, those occupiers who are not limited to a specific location may become less inclined to maintain their central presence and begin to show an increasing interest in taking space a short distance away, at more reasonable rents.

Some City agents believe this could represent a significant trend in the local property market over the next few years, helping to establish another clearly-defined belt of commercial property around the City core.

But will occupiers happily cross the Thames, given the emergence of a new crop of office space on the South Bank? Or will they feel that—despite the proximity of the City, the presence of several bridge links and two major rail termini—locations such as Tooley Street and Coin Street might just as well be somewhere south of Clapham Common?

Some developers feel that potential tenants (or owners) will adopt a much more progressive approach, whether by choice or of necessity. Greycoat Commercial Estates (jointly owned by two development companies whose individual efforts at gaining approval for schemes came to nothing) are citing names like Phillips Petroleum and Citibank as potential occupants for their mixed scheme at Coin Street and it may be just this type of tenant who sees the South Bank as the answer to City accommodation problems.

There seems a good chance that if one or two major schemes are actually developed and can attract a handful of substantial users, then the process of redevelopment could quickly gather pace and many of the psychological barriers which have so far impeded progress could break down.

Greycoat Commercial is in no doubt that its plans will transform at least one well-known South Bank blackspot. The Royal Fine Art Commission has already heaped praise on a comprehensive development which will include nearly 1m sq ft of offices as well as housing, retail and industrial space and recreational facilities.

In the words of the developers, they hope their plans might put an end to the present dereliction. The are now before Lambeth and Southwark councils and were prepared after careful consideration of what Mr. Michael Heseltine, Secretary for the Environment, had to suggest when he turned down earlier schemes.

The long struggle to have schemes accepted for this site is a reflection of the fact that not everyone is quite so enthusiastic about the commercially-oriented dreams of the developers, but there is no doubt that years of wrangling and indecision (with a little local politics thrown in for good measure) have contributed nothing to the task of clearing away inner-city decay in this area.

Greycoat Commercial's plans—estimated to cost around £150m—will provide links with nearby Waterloo Station and include the possibility of a pedestrian footbridge to the all-important north bank of the river.

To the east of London Bridge, facing directly across from the heart of the City, plans are in hand to provide more than 2m square feet of office space in the Tooley Street area. The plans were originally envisaged by The Proprietors of Hay's Wharf which owned over 20 acres of land on the South Bank and they have now been taken further by the Kuwait Investment Office, which acquired Hay's Wharf via a property subsidiary during 1980.

The whole scheme involves almost 30 acres of land between Tower Bridge and London Bridge and apart from the office content the development includes housing, industrial space and shopping and leisure facilities.

Outline planning permission for the proposals—which have met the same type of local opposition as the Coin Street plans—was granted in 1980, but they have subsequently been called in for a public inquiry by the Department of the Environment.

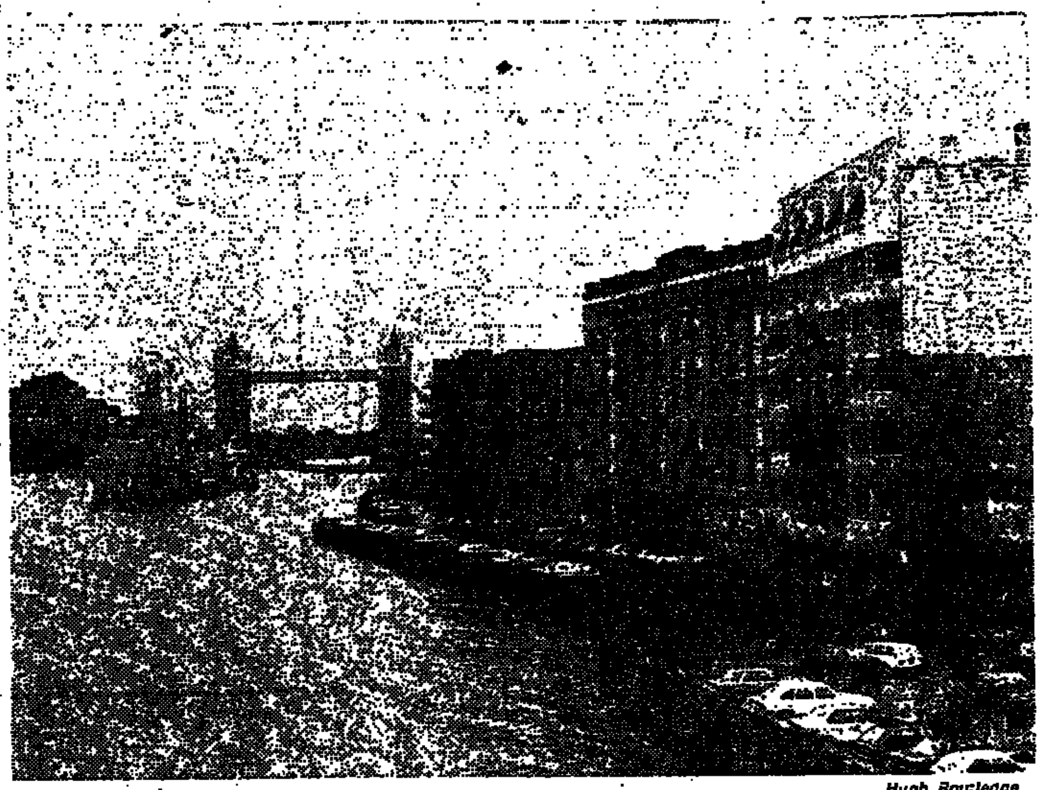
Strong belief

Local objections have again centred around a strong belief that the area should be redeveloped to provide an essentially residential community for Londoners, rather than a commercial appendage to the property market across the water.

The developers' reaction—as with so many other inner-city projects—has been to incorporate within its proposals an element of so-called "planning gain," the concept designed to give the local community something more than the scheme at the centre of the planning application. A leisure centre thrown in free in return for permission to build an office block is the type of arrangement which has come to characterise a growing number of development schemes in inner-city areas.

The efforts made by developers to provide the "extras" are regarded by some as cynical and half-hearted attempts to push through schemes and it is true that some developers regard the concept of planning gain as a necessary evil and do not enter into such arrangements with a single philanthropic thought in their minds.

But whatever the motive or the degree of conviction involved, it is the developers who hold the key to the revival of areas such as London's South Bank. It is they who will have to take the commercial risk and they who stand to suffer most if things go wrong. A compromise between the property companies and the local community groups who have broader aspirations for their environment is essential if inner-city wastelands are ever to win the new lease of life they so badly need.



Hugh Routledge

Despite the steadily rising demand for office space within the City of London, there has been for many years a stubborn refusal by developers and planners to transform the South Bank into an extension of the City. Above: Hay's Wharf, as seen from London Bridge

Rental growth in the short-term is likely to remain inhibited

HOLBORN

ANDREW TAYLOR

HOLBORN OFFICE rents have been moving upwards much more slowly since the first quarter of 1980, as the recession has tightened its grip on the economy and as new development activity has gathered pace. A similar pattern looks like emerging during 1981, but longer-term the outlook for rental growth appears more encouraging.

A number of major office schemes are due to be completed in the Holborn area during 1981-82. Many of these are being marketed already. This bunching together of new developments at a time when tenants, anyway, might be expected to be more selective about the price they pay for accommodation, means that rental growth in the short term is likely to continue to be inhibited.

However, a number of property agents are forecasting that by 1983/84, most, if not all, of this new space will have been absorbed and Holborn will again be facing a shortage of accommodation—particularly of large, top quality, air-conditioned space.

These agents point to the present scarcity of plans being laid to meet the next upturn in the development cycle—a reflection perhaps of the lack of available sites suitable for large scale office developments in Holborn.

Of major schemes being considered for possible development, and completion in the mid-1980s, two sites immediately spring to mind. One is the former Evening Standard offices at Shoe Lane, where Trafalgar House wish to build 220,000 sq ft of new offices. The other site, where a major development may take place, is the City of London Boys School/Guildhall School site, in John Carpenter Street.

Here, Wimpey Property and Trafalgar House have proposed competing schemes for around 350,000 sq ft of offices. Meanwhile Trafalgar House has so far failed to win planning permission for its Shoe Lane proposals.

Apart from these two major development sites, there are very few significant speculative schemes planned once the present wave of office developments draws to a close in Holborn — an area stretching from Farringdon Street westwards to Tottenham Court Road and bounded by Euston Road to north, and the River Thames to the south.

It is an area which has traditionally suffered by comparison with its next door neighbours the City and the West End — London's premier office markets. However, over the past two years the gap between City and Holborn office rents has closed — having widened considerably following the property market collapse in 1974-75.

The present recession has hit the property market later and much less hard than other areas of the economy and in the early part of 1980 office rents in Holborn were still moving up sharply. By spring of last year a new benchmark of £16 a sq ft had been struck for top-quality large air-conditioned space in Holborn. Several significant lettings took place during this period.

Examples

These included the £16.25 a sq ft that Kodak agreed to pay to take 83,000 sq ft in European Ferries' Enterprise House development in High Holborn. Kodak subsequently purchased the freehold of Enterprise House for £24.5m.

Another significant Holborn letting last year involved the Post Office which agreed to pay just over £16 a sq ft for 40,000 sq ft at 203 High Holborn on which Oldham Estate holds a long lease. The building includes 5,000 sq ft of retail space for which a rent of around £8 a sq ft is thought to have been agreed.

Elsewhere in Holborn, Shell (UK) Limited took 33,500 sq ft at Wellington House in the Strand at a rent believed to be between £15 and £16 a sq ft; at Denning House, Chancery Lane, solicitors Denton Hall and Burgin are understood to have taken around 34,000 sq ft at a rent thought to be around £13.50 sq. ft.

However, since these lettings were agreed the pace of rental growth in Holborn appears to have slowed and most leading Central London property agents are not expecting rents in the area to increase by more than 5 to 10 per cent in 1981—with most expectations generally at the lower end of this forecast.

The key to these reduced expectations is the level of new development currently in the pipeline and which at least one firm of agents says has produced a surplus of accommodation on the market—compared with a shortage of space available 18 months ago.

Figures produced by the research department of property agents Richard Ellis show that in the postal districts of WC1 and WC2—which form part of the Holborn area—around 1.3m sq ft of office accommodation came onto the market during 1980 compared with a take-up in the two postal districts last year of 675,000 sq ft.

However, Mr. Colin Bell, a partner with Richard Ellis, says that some of these buildings "classed as available on the market" may have been under offer by the end of the last year while the position regarding a possible over-supply of large space during the latter part of 1980 was harder to identify.

Moreover, Ellis are at pains—while they believe there is currently a surplus of accommodation on the market—to stress that the situation is nowhere near as difficult as during 1974-75 when a massive over supply of office space on the central London market as a whole sent rents in Holborn tumbling to £8 a sq ft and lower.

In a realistic appraisal of the present state of the Holborn market, Ellis says: "It is important not to get things out of perspective. We are certainly looking at a far healthier supply of accommodation available than in recent years—particularly if other new developments currently taking place on the fringe of the City are taken into account. However, this does not mean a serious over-supply of accommodation. Moreover any surplus will be relatively short-lived."

Other agents may disagree that there is presently a surplus of accommodation on the market but certainly supply and demand are moving into a period of relative balance — however shortlived this may be.

Buildings currently being marketed — although some not due for completion until later this year — include:

● Fleetway House, Farringdon Street, providing around 96,000 sq ft of office space, due for completion in autumn 1981 and where an asking rent of around £16.40 is thought to have been sought.

● Another major scheme now being marketed is Johnson Matthey's 35,000 sq ft development in Hatton Garden, completed only recently and where an asking rent of around £14.60 is thought to have been sought.

● In Fetter Lane, British Steel Pension Fund is due to complete a 79,000 sq ft office scheme this autumn and where some agents believe an asking of £18 a sq ft has been sought.

Other buildings recently on the market—although some may now be under offer—include: 23,000 sq ft at Bridewell House (a Haselmere scheme); 69,000 sq ft at Kodak's former headquarters in High Holborn and 95,000 sq ft at Templar House, High Holborn where refurbishment work is due to be completed this spring.

Joint scheme

In addition to these, work has started on 300,000 sq ft of offices at Long Acre, Covent Garden — a joint scheme by MEPC and Legal and General.

Richard Ellis estimate that there are around ten major developments or buildings on the market, and available for a single tenant, totalling around 850,000 sq ft.

However, despite the recession there has been no fundamental falling off of demand for premises in Holborn and a number of buildings which have been on the market may indeed now be under offer or can expect to be so shortly.

Mr. Rodney Petty of Weatherall Green and Smith says that depending upon how the general economy moves in the coming months he expects rents in Holborn "to remain static during the first half of 1981 but these could then start to rise again in the second half of the year given an improvement in the economic climate."

Weatheralls, however, warn that "difficulties being encountered by industry, resulting in trimming of staff, could bring more surplus space onto the market."

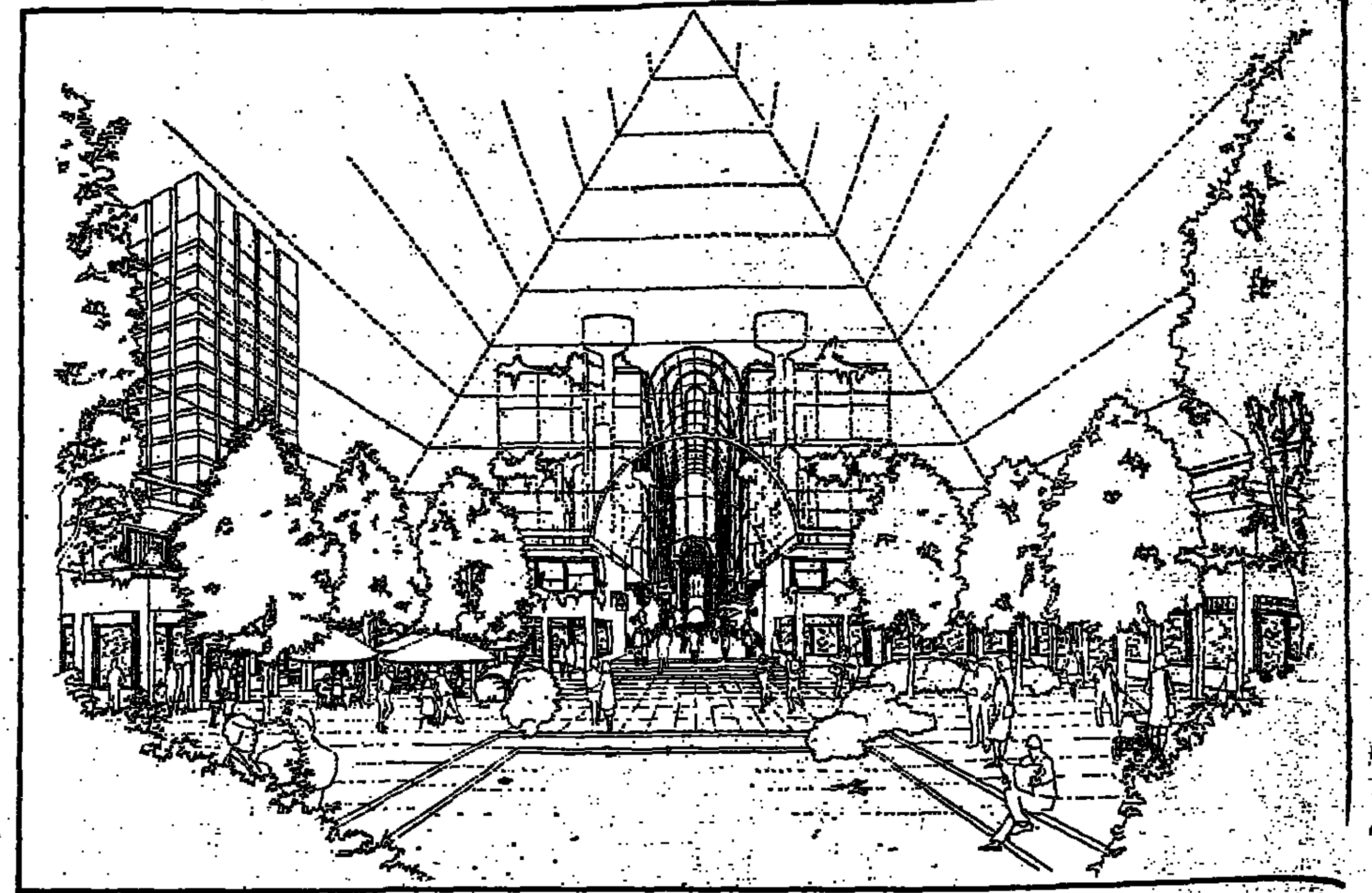
Longer-term, it appears that there are grounds for supporting the view that there will be further opportunities for good rental growth in the area—if only because most agents are forecasting that by 1983 the City will again be facing a serious shortage of accommodation.

However, there must be some concern as to what impact some of the major office schemes now being planned for the South Bank and the eastern fringes of the City will have on Holborn in future years.

CITY OF LONDON PROPERTY VI

A selection of projects planned or under way in the City

MICHAEL CASSELL AND TERRY GARRETT REPORT.



Major letting deal

WINGATE INVESTMENTS is hoping to announce a major letting deal for its Goodmans Yard development—shown as the furthest right-hand development in the above picture—within the coming month.

Mr. Stefan Wingate says that negotiations are near conclusion with a leading City institution for the 195,000 sq. ft. net of office space offered in the major part of the site. He would not elaborate on the rentals likely to be agreed for the ten-storey block, but they are likely to be in line with others close by. Rents for the Wingate centre—the "white" building in the centre of the picture on the corner of Aldgate High Street and Minories—are around £16 a sq. ft.

Wingate Investments bought the site some two years ago for an undisclosed price. Norwich Union is currently funding development costs which are said by Mr. Wingate to be in the region of £25m.

Completion for the site is timed for late in 1982. The site actually takes in two office blocks. There is the major 195,000 sq. ft. site, which is under negotiation, and a smaller 25,000 sq. ft. net development across Goodmans Yard, backing on to the Fenchurch Street railway line.

Goodmans Yard is an extension of the recent rapid rise of office development taking place in the eastern stretches just outside the traditional City area. The region's new office development has largely been taken up by the insurance broking fraternity. Bain Dawes was one of the first of the larger companies to push that extra further eastwards: the Sedgwick Group is currently on its second major development—the white buildings on the left of the picture.

Dockside redevelopment

INTERNATIONAL HOUSE, located on the approach to Tower Bridge, represents the latest addition to the World Trade Centre complex at St. Katherines Dock.

The air-conditioned building, due for completion in September, is being built for St. Katharine-by-the-Tower by Taylor Woodrow Construction and will provide 230,000 sq ft of net office space. The new building will appear virtually identical to the original 19th century listed warehouse which stood on the site, but which was destroyed by fire in the mid-1970s. The five-floor project will provide a choice of penthouse and office suites, designed to meet the needs of international companies. There is also a shopping centre, a sauna and wine bar.

A new look for the South Bank

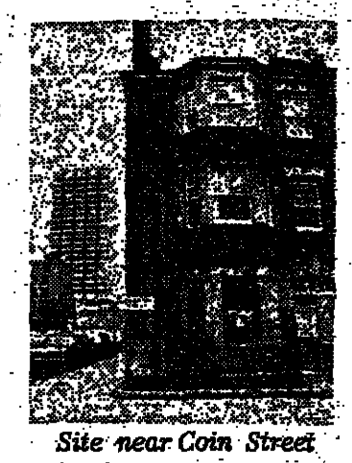
THERE COULD be a new look for London's South Bank if Greycoat Commercial Estates' plans (above) for the Coin Street site—between Blackfriars Bridge and Waterloo Bridge—are approved.

The scheme by architects Richard Rogers calls for a glass-covered pedestrian walkway linking a mixed office, retail, industrial and housing development which will provide a wide range of leisure facilities and riverside walk.

The development plans call for between 885,000 sq ft and 995,000 sq ft of offices. The scheme has been proposed by a company jointly owned by Greycoat London Estates and Commercial Properties which, between them, own freeholds or long leaseholds on nine of the 16 acres Coin Street site.

The joint company was established after Greycoat and Commercial Properties' separate proposals to develop the Coin Street site were rejected last year by Mr. Michael Heseltine, Environment Secretary, after a 70-day public inquiry.

Greycoat say that prospective occupiers of the office space proposed in its development plan include Phillips Petroleum and Citibank. The plans, however, have attracted widespread opposition from some local residents and councillors who would prefer to see a largely residential scheme on the site.

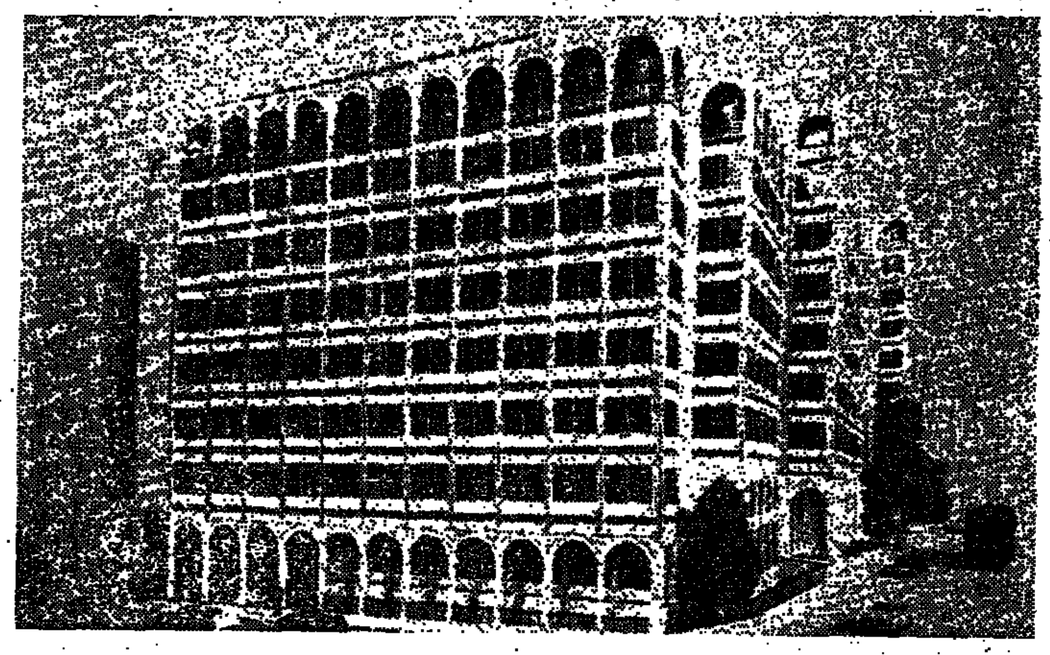


Site near Coin Street

Developers appeal against decision

TRAFALGAR HOUSE is planning a new 175,000 sq ft office complex (right), behind Fleet Street on the site of the old Evening Standard building in Shoe Lane. The group had hoped to have started work on the scheme by now and to have completed it within about two years, but its application to the City of London Corporation was turned down in November, largely because of its size. The developers are now in the course of appealing against the decision.

The buildings intended to make way for the development are opposite the International Press Centre and are now empty. The space to be built—if planning approval is eventually granted—will represent one of the largest new office schemes to be built in the area for many years and will be available on the open market. The architects are Dennis Lennon and Partners.

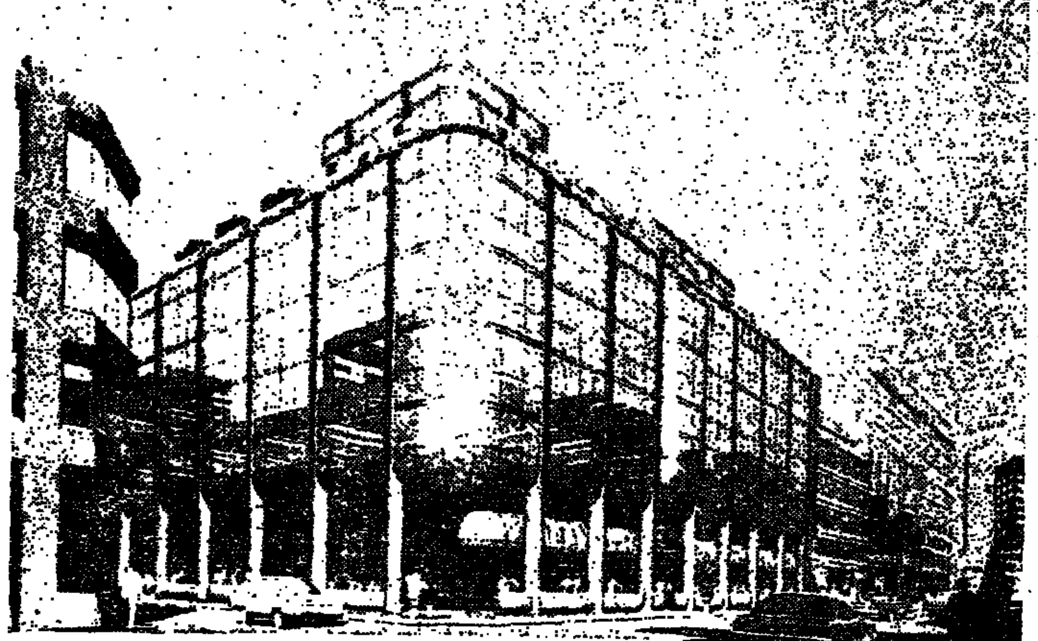


Plans for a £15m office complex

HASLEMERE ESTATES has embarked on its biggest-ever new development scheme in the shape of a £15m office block at Bevis Marks, City. The new building (right) will provide about 105,000 sq ft of office space, together with a restaurant and some retail space on a site to the east of Bishopsgate, bounded by Bevis Marks, Bury Street and Bury Court.

The scheme is expected to take about 2½ years and will replace a site which has for years been occupied by a mix of old properties. A purchasing programme has left Haslemere with the freehold of the entire site.

The new development will boast a long, pavement-level walkway crowned with a curved glass canopy and Haslemere also plans some "eye-catching" internal architecture. The scheme joins several others now being pursued in the locality and is a short distance from the Cutlers Gardens and Wingate schemes. No tenant is yet lined up.



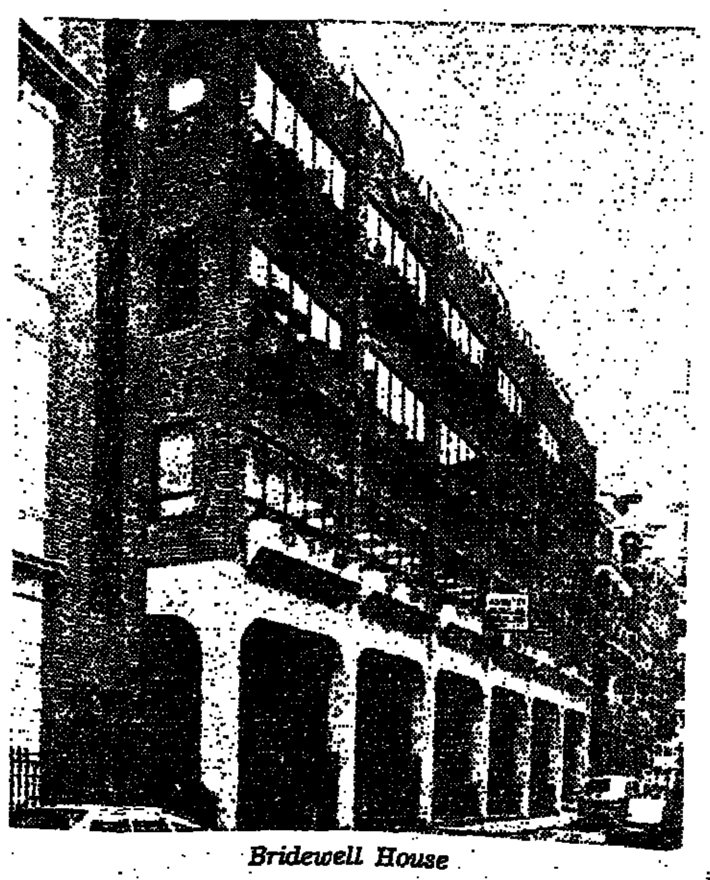
Proposed development at Bevis Marks

The final phase is complete

THE COMPLETION of Bridewell House represents the final phase of the so-called Bridewell Island site, close to Ludgate Circus and Fleet Street in the City. The development was carried out by Haslemere Estates, which has also refurbished five buildings, now let, fronting onto New Bridge Street.

Bridewell House, in Bridewell Place, incorporates air conditioning, a fully equipped PABX system with 20 exchange lines and 200 extensions.

The accommodation extends to 20,500 sq ft and the building is "ready to walk into," according to Mr. David Pickford, managing director of Haslemere. The rent being asked is £350,000 a year, equivalent to just under £15 a sq ft. The agents appointed to deal with the letting are Pilcher Hershman and Partners.



Bridewell House

The jigsaw comes together

PLANS TO develop a £10m office block at Mansell Street, E.1, were announced by London and Paris Properties at the end of last year. The proposed scheme is next door to the Wingate-Sedgwick Forbes development.

The scheme will fill in another important piece in the development jigsaw to the east of the City which already includes the Sedgwick scheme, Goodmans Yard, the Wingate Centre, Haselmere's Bevis Marks development and Gardiners Corner.

London and Paris which emerged in 1978 from Interland Estates has planning permission for a 55,000 sq. ft. gross office building and work is expected to start during the first half of 1981.

The land was purchased from the Greater London Council, but no decision on funding the scheme has been announced as yet.

New developments cannot keep pace with demand

GROWTH IN BANKING

TERRY GARRETT

THE BANKS continue to set the pace in the City of London office market, in terms of both rentals and the type of accommodation being developed. Once the banks are willing to pay £25 a sq ft for prime office space, that becomes the bench mark for the market.

Historically, demand from the banking sector is cyclical, tending to move in close correlation with the level of international banking activity, but for some time now there has been a steady continuous demand from the banks for space in the City. Their problem is finding the space.

With an increasing number of offices being opened by foreign banks in London, new development cannot keep up with demand and any large developments coming onto the market are soon snatched up even if the banks have to sublet floors surplus to their own requirements.

The banks, perhaps even more so than the insurance sector, tend to be very conscious of their location. Regardless of whether cheaper space is available, the banking community tries to stay as close as possible to the prime area bordered in the north by London Wall, in the south by Cannon Street and Eastcheap, King Street in the west and St. Mary Axe in the east.

Space shortage

The shortage of space has obviously pushed some banks outside this prime region. In Finsbury Square for example there are a couple of Pakistani banking offices. Continental Illinois strode westwards to move into the old Times building in Queen Victoria Street, letting the surplus space on short leases. Other American banks, such as Citibank and Chemical Bank, have taken space in the Aldwych.

The major UK clearing banks, while maintaining that central presence, have moved service departments out of the mainstream. National Westminster, for example, retains its prestigious new tower block while its computer operations have been lifted out to the eastern fringes of Aldgate.

NatWest has also leased the first and second phases of Town and City Properties' Kings Cross House development. The second phase is a 15-storey office building of around 85,000 sq ft, due to be finalised next year.

Overall, the banking and insurance sectors probably account for around half of all the available City office space. Their increasing share of new premises can be demonstrated by the way that they took up 61 per cent of all speculative office development completed between 1974 and 1979, according to Richard Ellis, the agents. The agents' research also shows that City developments planned for owner occupation between 1981-1986 will include 1.18m sq. ft. of office space for these two sectors. Banks alone account for 760,000 sq. ft. In contrast to the banks and insurance brokers' eight schemes there are seven owner-occupier developments by other categories on the blocks which only amount to 470,000 sq. ft.

Within this increasing demand for space in the Square Mile the number of foreign banks vying for prime sites has grown enormously. It is estimated that foreign banks now occupy around 3m sq ft of City office space.

A survey published by Noel Alexander Associates in January gives a very good idea of the inroads made by foreign banks into the London market. The survey suggests that, in 1960, there were just 73 foreign banks in London. Of these only eight were from the U.S., eight from Japan and 27 from Europe. By 1970 the numbers had more than doubled to 158 and last year there was a net addition of nearly 30 new banking offices to the City, to lift the current total to 383 foreign banks.

The major source of expansion came from the European banks. Their numbers rose by 21 last year to 140—there were less than 100 with London offices in 1976. Additions from the U.S. were fairly modest with only one last year to take their total up to 72, while the number of Japanese banks, at 24, has only seen one addition since 1974.

The Noel Alexander survey goes on to point out that there were 13 banks which opened their first London office in London last year.

Upgrading

Unfortunately the survey does not give any figures on the amount of floor space the foreign banks are taking. As London emerges even further as a banking centre—there is evidence that some banks are using London as their European headquarters now rather than one of the Continental cities—the actual numbers of banking offices mask the much stronger underlying real growth. Undoubtedly banks have increased their involvement in London over the years by upgrading representative offices into fully fledged branches. Such movements would not come out in a survey of pure numbers of offices.

The potential for foreign banks to upgrade their involvement in London was well illustrated in a Richard Ellis survey carried out in the middle of 1979. Then the analysis showed that there were 189 foreign banks occupying units of under 5,000 sq ft. There were 85 banks in offices in the 5,000 to 10,000 sq ft range and 50 banks in the 10,000 to 30,000 sq ft size. There were only 20 foreign banks occupying offices more than 30,000 sq ft.

Obviously it has changed since then but the broad picture is still the same. Many of the new banks opening are only representative branches which are usually small with few employees. So there is plenty of scope for the foreign-owned banks to increase their involvement in London and join the race for the meagre number of large units that do come onto the market.

Looking ahead it is hard to see that there will be any slackening in demand for banking space in the City. The international banking community is likely to continue expanding, given the likely growth of funds from the OPEC countries being channelled through the banking system.

Undoubtedly, there will be continued pressure from both domestic organisations and foreign banks for more prestigious City office space in the 30,000 sq ft — plus bracket. The main constraint will be the amount of space available to develop such offices. It is widely believed that one of the main constraints to rental growth last year — around 10 per cent in the City — was that there was just too little of the right accommodation available.

FOREIGN BANKS WITH OFFICES IN LONDON

These approximate figures indicate broadly the movement of foreign banks in and out of London, on an annual basis. Exit figures are not recorded before 1974.

	American			European			Japanese			Others			Summary		
	Total	Out	In	Total	Out	In	Total	Out	In	Total	Out	In	Total	Out	In
1960	8	0	0	27	0	0	8	0	0	30	0	0	73	0	0
1965	15	0	7	32	0	5	11	0	3	41	0	11	99	0	26
1966	15	0	0	32	0	0	11	0	0	42	0	1	100	0	1
1967	16	0	1	35	0	3	11	0	0	45	0	3	107	0	7
1968	24	0	8	38	0	3	11	0	0	50	0	5	123	0	16
1969	32	0	8	44	0	6	11	0	0	54	0	4	141	0	18
1970	37	0	5	51	0	7	12	0	1	58	0	4	158	0	17
1971	44	0	7	55	0	4	15	0	3	63	0	5	177	0	19
1972	50	0	6	60	0	5	19	0	4	68	0	5	197	0	20
1973	53	0	3	76	0	16	21	0	2	73	0	5	223	0	26
1974	61	1	9	91	0	15	23	0	2	79	0	6	254	1	32
1975	58	3	0	90	6	5	23	0	0	86	2	9	257	11	14
1976	57	3	2	96	2	8	23	0	0	103	0	17	279	5	27
1977	64	0	7	102	2	8	24	0	1	115	0	12	305	2	28
1978	68	1	5	109	1	8	24	0	0	129	2	16	330	4	29
1979	72	2	6	122	1	14	24	0	0	137	3	11	355	6	31
1980	72	1	1	140	3	21	24	0	0	147	3	13	383	7	35
1960-80		11	75		15	128		0	16		10	127		36	346

Source: Noel Alexander Associates.

Long-awaited Arts Centre due to open this year

THE BARBICAN

DAVID CHURCHILL

INTEREST IN the Barbican complex in the heart of the City of London will this year focus on two new developments. Firstly, there will be the sale to tenants, under the new Housing Act, of properties at present rented from the City Corporation.

Secondly, there will be the long-awaited opening of the Barbican Arts and Conference Exhibition Centre, later in the year. These two factors will influence both residential and some commercial property sectors located within the City.

But the developments could also help to further establish the residential community which many people feel has been lacking in the Barbican throughout its development over the past two decades.

The Barbican project, as we know it today was first mooted by the City Corporation in 1955 when a firm of architects were asked to submit a preliminary development plan for the 15.2 hectares—destroyed in the blitz —between St. Giles' Church, on the south side of the City, and Fann Street on the North and extending east from Aldersgate Street to Moor Lane.

The proposal was taken a step further by Mr. Duncan Sandys, then Minister for Housing and Local Government, in a letter in August, 1956, to the Lord Mayor.

"This proposed that there should be created in the Barbican area "a genuine residential neighbourhood, incorporating schools, shops, open spaces and amenities, even if this means foregoing a more remunerative return on the land."

In September, 1957, the Court of Common Council accepted the Minister's proposal as a matter of policy—and, with it, the idea of the Barbican as it has since developed. The detailed scheme was passed in late 1959.

While there have been several changes since then, the original concept of the scheme remained unaltered as the development took shape. Now, there are over 2,000 flats and maisonettes housing some 6,500 people, plus garages for 2,500 cars and a petrol station.

Central to the whole concept from the beginning has been the total separation of pedestrian traffic from private cars, commercial and service vehicles and public transport. By adopting the principle of a podium, with connecting elevated walkways within the site and linking it to adjacent office areas, the residential neighbourhood has been made into a pedestrian precinct free from noise and the problems assoiated with traffic.

Streets, service roads and access to garages and parking spaces are underground or below the podium. The railway line, crossing the site, is enclosed and the tracks carried on rubber bearing pads to further reduce noise and vibration.

Flats are mainly grouped in three 43-storey tower blocks and in a series of terrace blocks rising seven storeys above podium level. As a result, in spite of the high overall density of 570 people per hectare, there are 9.3 hectares of open space to the total of 15.2 hectares, including 3.25 hectares of landscaped gardens and a lake and a conservatory.

Historic link

A link with the neighbourhood's past has been retained with the preservation of the historic church of St. Giles, Cripplegate.

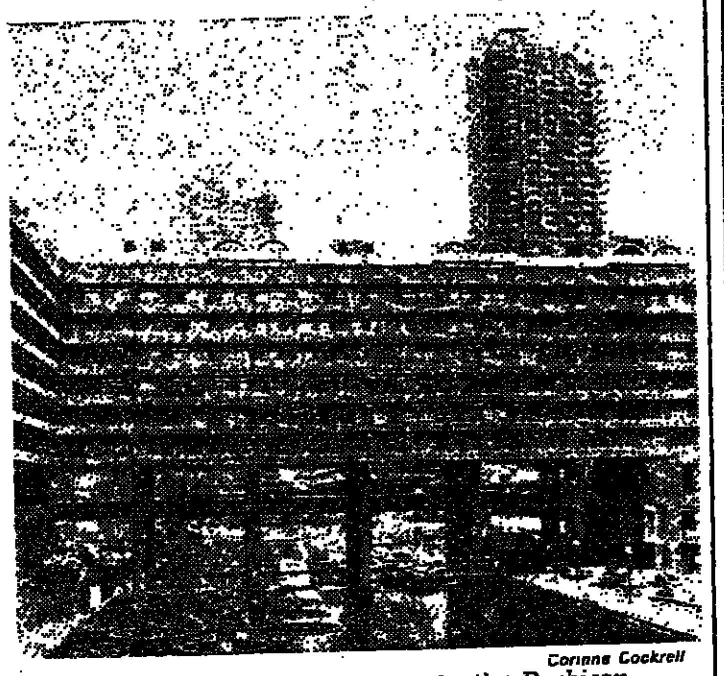
The Barbican's brief history has been characterised by the perennial problem of finance and a growing disenchantment among some residents that it has produced a "battery hen style of living."

The problems of financing the development and upkeep of the complex has led to sharply rising rents and service charges —a factor which has driven out the lower-income tenants and allowed in companies who use the flats for their employees.

It is also arguable that the original conception of what the Barbican should be was based on a false premise and that, in a major capital city in the 1980s, with its multinational corporations and greater mobility of its more highly paid employees, it was unrealistic to expect a viable and stable community to develop.

The new factor in the equation, however, is the City Corporation's decision not to take on any new tenants and to sell the flats on the open market. Sitting tenants will have the option to buy at a substantial discount, according to how long they have lived there, under the provisions of the Housing Act 1980.

One recent survey showed that some 70 per cent of members of the resident's association would buy their flats if given the chance. But the high turnover of tenants means that the Corporation may have difficulty in finding sufficient prospective purchasers. Certainly, local estate agents have mixed feelings about the likely level of demand for the flats.



Corinne Cockrell

Residential accommodation in the Barbican complex, in the heart of the City

By the time the Arts and Conference Centre opens, the final figure for the project could exceed the £108m which it has cost so far.

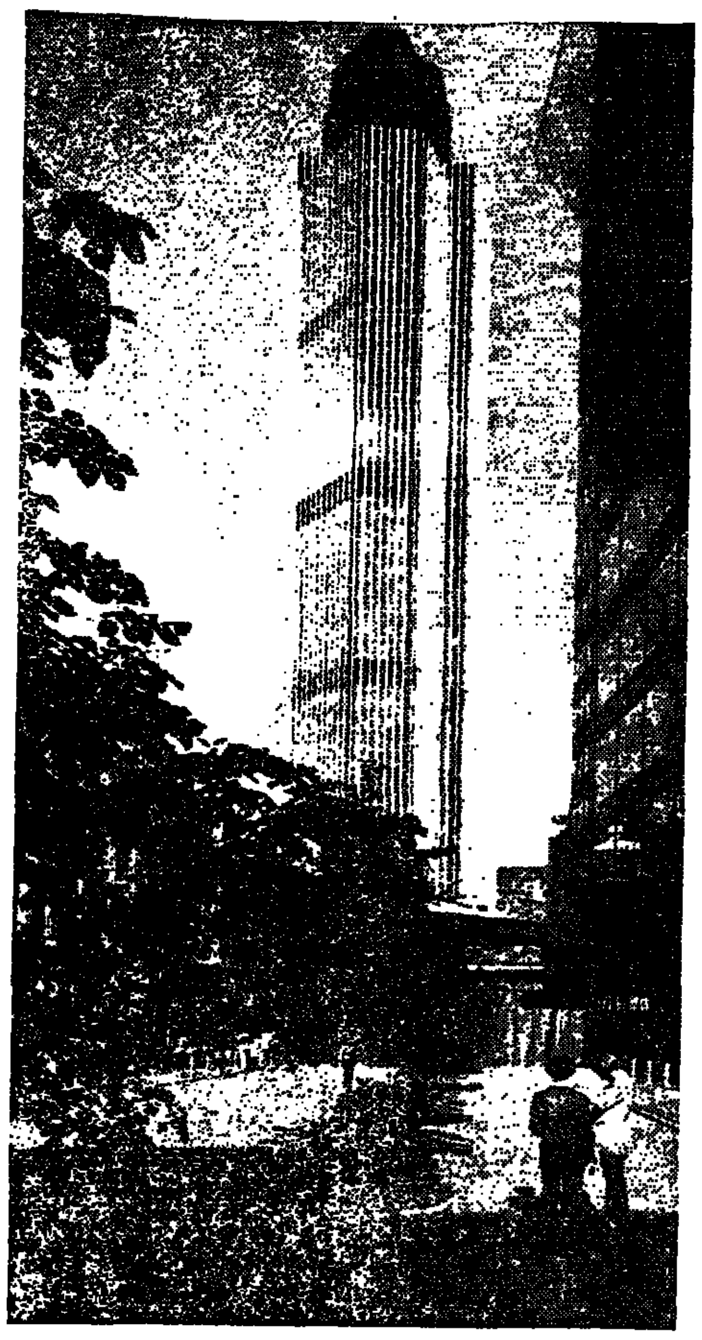
The new centre will be the new permanent home for the London Symphony Orchestra and the Royal Shakespeare Company.

The complex will offer a concert hall, theatre, art gallery and cinemas in one integrated unit, as well as a new lending library, two public restaurants and extensive public foyers. It will also incorporate conference and exhibition facilities. A total display area of 88,000 square feet for exhibitions will be available in addition to special-ist film and lecture theatres.

The first exhibition in the centre will take place from November 15 to 19 and will be called 'Inscape '81.' This event, sponsored by the Architectural Press, will cover a whole range of interior fittings and design. The organisers say it will be the first and only time that all parts of the complex will be made available for a commercial exhibition.

Both the opening of the Arts and Conference Centre and the sale of flats will make it likely that the Barbican assumes a very different character in the 1980s.

Projects often piece-meal and irresolute



DOMINANT LANDMARK

National Westminster Bank's tower dominates the skyline of the City. The 600 ft building is Britain's tallest solid structure and is believed to be the highest cantilevered building in the world. The Queen will officially open the tower on June 11

ARCHITECTURAL TRENDS

COLIN AMERY

TWICE IN 300 years there have been attempts to completely re-design the City of London.

Sir Christopher Wren prepared a formal plan even while the flames of the Great Fire were still licking the remains of old St. Paul's. Wren's axial vision did not appeal to the worthy burghers of the City who wanted to rebuild premises on their old sites and retain the almost medieval pattern of the City streets.

Hitler's bombs gave the planners a second chance, clearing large areas around St. Paul's and the docks. Since then, the constant battle between public and private interests has meant that the post-War re-development of the City has again been piece-meal and irresolute.

This second opportunity of re-building coincided with a period of architectural history that was one of the most depressing, visually, and one which produced problems of scale and proportion that overwhelmed the existing older City fabric.

It is the view of Mr. Stuart Murphy, the Architect to the City Corporation, that the architectural future of the City is, however, looking brighter. While there is no chance of a property boom, the City is continuing to renew itself. Mr. Murphy says that there are many small buildings awaiting planning permission. The days of grandiose projects are over. This means that, in architectural terms, there is not a great deal of interesting activity in the City.

Last year the great excitement was the unveiling of Lloyd's new building design by Richard Rogers and Partners. Demolition of the old Lloyd's building is under way, despite the protests of the Thirties Society and, at present, detailed planning and building regulation work is proceeding on the Rogers design.

There are several small schemes which, cumulatively, will have a major effect on the City. An example is the area around Billingsgate Fish Market, where the main market building has been listed. SAVE Britain's Heritage, a powerful and active conservation group, has prepared a scheme with Chrysalis Architects, in association with Richard Rogers, advised by Ove Arup and Partners, consultant engineers.

The fish market building, designed by Sir Horace Jones in 1875, is owned by the City Corporation. The building was listed (after the City had applied for consent to demolish it) in April last year. It will soon be devoid of fish and the accompanying trades when the new market opens in the Isle of Dogs in 1982.

Simple thesis

The thesis behind SAVE's proposals is a simple one. By constructing a new building on the adjoining lorry park, it will be possible to cover the costs of repairing and adapting the market building and provide a reasonable financial return.

SAVE feels that the restored Victorian market building would make an ideal public meeting place, particularly at lunch-times, and provide shopping and eating facilities for both City workers and tourists.

Covent Garden provides an encouraging precedent; in New York, for example, the redundant Fish Market is now an agreeable shopping, museum and eating area. Billingsgate was built to be enjoyed from the river—its pavilions, mansard roofs, dormers and gilded dolphins were conceived as a lively and interesting waterfront skyline. The river frontage is, at present, obscured by a row of sheds. On the Lower Thames Street facade, a canopy cuts across the dignified ground floor arcade. Inside the building the market halls are robust, with imposing cast iron columns, and the roof is light and airy.

SAVE plans to provide several much needed facilities around the buildings. There would be a terminus area for tourist coaches, a riverside terrace, bar and restaurant, linking up with a mooring for river boats.

On the adjoining lorry park site, the lower levels of the proposed office building would be linked with the rich archeological excavations which are expected to be undertaken on that site and would provide a museum and exhibition space, related to the history of the Thames.

It is anticipated that the new office building would be planned around a public atrium. Inside the restored market, halls, shops and restaurants—as well as tables for people to sit at and eat their own sandwich lunches—would fill the main area.

The large vaulted basement offers much potential for a variety of leisure uses. It is likely that the ironwork of the market halls was originally painted brightly (as was the interior of the Crystal Palace) and this decoration could be restored.

What are the financial prospects for a retail and public space use of the old market building? Covent Garden opened with near 100 per cent tenancies. A comparison with projects in the U.S.—especially the restored Quincy Market in Boston—has shown that this style of shopping centre makes sound commercial sense. The Rouse Company, which developed the Boston market areas, reports that sales figures average $250 in volume per square foot, which is 1½ times the average shopping centre figure. Furthermore, the markets in Boston are not on a tourist route, nor on the fringe of the world's leading financial centre.

There are, of course, rival proposals for the use of the market, including a plan to turn it into the City's Commodity Market centre, to bring commodity trading under one roof.

While the fish market activities decline around Billingsgate, proposals prepared by Thomas Saunders Partnership for the streets around Lovat Lane, take on a new significance. At present, seven planning applications for sites in this conservation area are being jointly presented.

Around Wren's St. Mary-at-Hill, the area still has the atmosphere of a genuine "working city," instead of the dense warren for office workers that most of the City has become.

Surprising

It is these narrow streets that have been designated a conservation area, partly for the street pattern, but also for the 17th and 18th century architecture. The Saunders scheme is a surprising amalgamation of architectural styles. This clearly reflects the current uncertainty about style and instead of taking references from the surrounding area, it has the qualities of an architectural Disneyland.

The mixed development on several sites is to be known as "City Village" and it literally combines architectural styles as different as Art Deco and onion domes. The scheme is certainly different, but is, perhaps too quaint and bizarre to be taken very seriously. It will be interesting to see what the City planners make of this original proposal. Another sensitive City site is the area around Apothecaries Hall, in Blackfriar's Lane. This area has 17th century buildings hidden under late 18th century Georgian facades.

The railway cut through this area and yet the courtyard of Apothecaries Hall remains a peaceful haven of stucco and serene proportions.

Architects Green Lloyd and Adams have prepared some rather safe, almost neo-Georgian designs for new buildings currently awaiting planning approval. The designs are certainly conventional enough to delight the traditionalists and they reflect again the architects' uncertainty about style.

The debate goes on about Little Britain, with a recent proposal for part of the site by the Little Britain Trust having been turned down by the City Planning Committee.

Hard negotiations are the order of the day if any of the small scale buildings, especially the group alongside Postman's Park, are to be sensitively retained and re-used.

One building in the City that is being renovated for a new use is the Deanery of St. Paul's Cathedral. Haselmere Estates, with its usual thoroughness, is turning this handsome house by Wren into a prestigious office building. However, why the Dean and Chapter of St. Paul's cannot afford to maintain a perfectly suitable, modest 1670 house as the residence of the Dean of St. Paul's has never been satisfactorily explained.

The present lack of any major new architectural proposals for the City is partly due to the scope for larger developments offered in other parts of London.

Spitalfields, on the Eastern boundary of the City, remains an area of great potential especially now that so many of the fine early-18th century houses are being restored.

If the fruit and vegetable market moves out—as is planned—the area must be sensitively and comprehensively planned to give the City the residential and retail facility it so badly needs.

Several architects and designers have already seen the potential of the relatively cheap office space that can be found in the Spitalfields area—how long will it be before institutional funds are provided to improve this deprived neighbour of the rich City?

Across the river is an area of architectural growth: the Coin Street proposals (now revised following a long public inquiry) by Richard Rogers for Greycoat Estates, offers the best hope for the area. The proposal for an arcaded route from Waterloo Station to a new footbridge across the Thames to land in the Temple area, is one that could really rejuvenate the South Bank and link the City to all the cultural facilities of the area.

Architecturally, the new version of the Coin Street proposals meets the objections made by the Secretary of State after the public inquiry. The office buildings are less of a megastructure, and there is more public space.

The spine of the development is an arcaded route, with shops and public amenities on the ground level, and offices above.

The substantial office content of the new scheme is less overbearing, architecturally, since it has been broken up into several more fragmented buildings.

Within this architectural framework, there is scope for architectural competitions to design some of the individual buildings, as requested by the Secretary of State.

Coin Street could easily be the most interesting new development in London and its success will have a strong beneficial influence on architectural standards, both in and around the City.

Retailers face limitations but they know their market

RETAILING

RAY MAUGHAN

Lunchtime shoppers in Cheapside Roger Taylor

THE RECENT experience of a travel company in the City says a good deal about shopping habits in the Square Mile. The company had opened with a commitment to six-day-a-week trading but, after a few months, had decided to stop Saturday business. There is no question that the store was ailing for it constitutes part of a chain which had upset traditionalists by acting as a principal, rather than agents, and was prospering.

But the decision to drop Saturday opening can only have been taken in the swift realisation that the City becomes a "ghost town" at the weekend and in the evenings. Its milling population of the Monday to Friday lunch hour crush has been shoe-horned onto commuter trains by 6 pm. And if City workers are seeking a cut-price tour to the Costa Packet, they will more likely search on a Saturday afternoon along the high streets of Lewes or Lewisham, Romford or Rickmansworth.

That means that the City's restaurants are almost invariably closing for the day as the last lunchtime customer settles his bill; the pubs and bars are anxious to shoo lingering drinkers off the premises by 9 pm at the latest.

Above all, this situation ensures that retailers who offer the large consumer durables (which are usually purchased after a process of democratic consultation by a husband and wife) stay well away from the City. One does not normally expect to buy a car in the Square Mile, for example, but auto accessories can be found. There are but few refrigerators and vacuum cleaners to be found in City shops, although there is a profusion of smaller stores selling luxury durables.

It seems that retailing in the City can be divided into four very broad categories: essentials to be found in a few smallish supermarkets and hardware stores, the provision of food and drink for voracious office workers, luxury goods designed as gifts or chauvinistically pandering to the indulgences of well-to-do males and, finally, stationers and professional book shops. With the exception of a large number of shoe shops, which seem to proliferate along high streets in every town, and the explosion of the semi-retail, semi-business building society and clearing bank branch outlets (which, again, feature strongly everywhere), these categories are unique to a commuting clientele.

Additions

The bespoke and off-the-peg men's wear shops have been joined by the women's wear multiples, alive to the spending power of well-paid secretaries. The snack bars, fast food shops and the dispensers of the City's well-loved combination of fine wine and prep school food have been joined by modish wine bars and ambitious restaurateurs selling haute cuisine amid the balance sheets and loans.

All of this adds to the pressure for retail accommodation, but there is little or no formal structure designed to provide it.

The comprehensive shopping precinct or mall cannot exist in such an environment. True, a few of the core tenants to be found elsewhere in such developments do thrive in the City—Boots the Chemists, for example, or W. H. Smith.

Retail letting is on a far more fragmented basis in the City. The prime space is usually provided on the ground floor of a successful office development in the Square Mile. The hallmark of a successful office development is the ability to squeeze maximum space from a cramped, sometimes out-of-the-way, site.

By no means all the new generation of office accommodation sees much passing trade. The nooks and alleyways hardly offer the sweeping vistas, the carefully landscaped gardens and fountains and wide, covered walkways beloved of modern retail developer.

There are exceptions—the modern St. Paul's Precinct and the venerable Leadenhall Market prove the rule in some style, although the over-riding impression given at St. Paul's is of a refreshingly diverse selection of places to eat.

Fortunately, the City is so compact that no retailer faces the parking problems which bedevil shop developers elsewhere. It takes very little time to walk from the Bank of England to any point within the old City walls. And a stroll from Moorgate to the southern boundaries of the Square Mile, by the river, is not beyond the compass of anyone within a lunch hour.

It may be, though, that the City's environs are becoming less dense, since upward pressure on rents created by a constant shortage of first class accommodation is forcing those tenants that have the option to consider relocation on the fringes.

Some tenants do not have the luxury. The City's principal banks and insurance firms adhere closely to the hub of their operations in Threadneedle Street and Lime Street but, as shown elsewhere in this survey, rents on the fringe are accelerating more rapidly than on the traditional, central premises. In Holborn, too, percentage rental growth has been more marked than in the centre of the City.

Obviously, this trend is magnified by the lower base from which fringe rents start, but it is clear that some relocation has started. The Trafalgar House/Whitbread scheme, in Chiswell Street, provides ready-access to Moorgate, one of the major City thoroughfares, but it also offers good access to City Road and points northward.

Can retailers look more to Old Street to provide for a burgeoning catchment area?

Similarly, the South Bank is being actively studied as the likely recipient of a big City overspill—will the shopkeepers of Borough High Street enjoy increasing demand?

Rent levels

Rents for retail accommodation throughout Central London, fell last year for the first time since 1965, according to a recent movement on the rent index produced by the Investors' Chronicle / Hillier Parker. In large part, this reflects the fall in consumer spending and the blow has fallen heavily on white and brown goods. But need the trend that leading shop agents predict for rental growth along Oxford Street — and in this instance, D. H. Evans, particularly — apply also to City shopping?

The prognosis has some bearing on City retail prospects. The stockbroking community has had an exceptionally prosperous year, yet there must be a limit to the growth prospects for sales of hand-made suits and shoes, fine wines and platinum jewellery.

But the downturn may be less acute. The City retailer knows his market and cannot expect to extract much of his customers' disposable income. Somebody else does that—or hopes to do so.

Perhaps those bottles of fine old port will gather a little more dust this year.

POLITICS TODAY

Standing up to Left, Right and Centre

MR. WILLIAM RODGERS, the *eminence grise* of British social democracy, came close to giving the formal announcement of the founding of a new party in a speech at the University of Birmingham on Tuesday.

"Great events in politics—Peel's breach with the Conservative Party in 1846 or the emergence of the Labour Party after 1900—were not the result of a calculated decision to break the political mould just for the sake of doing so. They arose from the circumstances of the time and a wish to take account of the strongly-expressed needs of the people. On all the evidence, the time is ripe for another breaking of the mould, however painful, and even if many people would prefer it not to happen," Mr. Rodgers said.

The comparisons may seem bold, but there is no doubt that the language was carefully chosen. The break with the Labour Party is on, and the only question is whether the formal split will occur before or after Easter. The members of the Council for Social Democracy are simply grateful for any time they may have to prepare their organisation before *making the final split*.

It is also clear that the new party intends to fight on a much broader front than has something been suspected. It is a potential threat to Labour, Tories and Liberals alike.

Yet, in one respect, even Mr. Rodgers understated the case. He reminded his Birmingham audience of the fall in the *Labour Party* vote over the years: from 47.8 per cent in 1945 to 36.9 per cent in 1979, its lowest share since 1931, the year of the formation of the National Government. (The second Labour split is taking place in the year of the 50th anniversary of the first.)

What Mr. Rodgers did not say, however, is that there have been increasing signs of change in the behaviour of the electorate as a whole, as the following figures should demonstrate.

Between 1945 and 1970 each of the two major parties polled over 40 per cent of the votes in general elections. Between 1945 and 1951 there was a total of 68 by-elections. The Labour Government did not lose any of them. There were 48 by-elections during the Tory administration of 1951-55 and the only change was one Tory gain from Labour.

Electoral volatility began after that, with such results as the Liberal gain at Torrington in 1958 and, perhaps most spectacular of all, the Liberal victory at Orpington in 1962. Both were at the Tories' expense and it became the conventional wisdom that the Liberals did well when the Tories were in power. Still, at general elections the votes tended to go back to the two big parties.

Falling away of two-party support

Signs of a sea-change came in the general election of February, 1974. The Tory share of the vote fell to 37.9 per cent and Labour's to 37.1 per cent. The Liberal share rose to 19.3 per cent, as against 7.5 per cent in the previous general election in 1970. The result did not change the face of Britain, though it did change the *Government. What was striking* about it was the falling away of support for the two major parties, which was even more marked if you included the rise of the Welsh and Scottish nationalists.

The Liberals did not quite keep up their challenge in the subsequent election in October, 1974 and fell back further in the general election of 1979. But there is still a substantial vote that goes neither to the Tories nor to Labour, quite apart from the vote that swings between the two. That is one sign that British politics could be much more open to change than is sometimes thought.

Another is the trend towards one-term governments. No government since the Tory administration of 1955-59 has gone anything like its full term and then been re-elected. The British *may not have put a new party* in office since the 1920s, but they certainly know how to throw the old ones out.

Governments, whether Tory or Labour, are perfectly well aware of the trend. No British Government nowadays holds a by-election if it can possibly avoid it. Even in what looks like the safest seat it is liable to be defeated. In the general election of October, 1974, for example, Labour had a majority of nearly 23,000 in the constituency of Ashfield, but lost it to the Tories at a by-election in 1977.

It may be also the case, though *this is harder to demonstrate*, that a sizeable part of the electorate is fed up with alternating between Labour and Tory administrations which increasingly seem to reverse each other's policies, and would like something else to turn to. A good deal of the evidence of opinion polls suggests that this is so, but it remains hypothetical. The evidence that matters is how people vote in elections and so far, in general elections at least, there has hardly been a credible alternative to the two major parties.

Bearing all those facts in mind, the new party must be in with a chance. Much will depend on imponderables. We do not know how the Government will fare in the next two or three years. Certainly it has the potential for recovery. Oil revenues should come to its aid. There should be also the effects of the boundary changes which could give the Tories another 20-odd seats at the general election. Not least, the Government has the power to call the election at a time of its own choosing, as long as it is by mid-1984.

Yet there are already signs of nervousness on the Government benches. Concern about rising unemployment is greater than is readily admitted in public. There is also the feeling that, despite its promise and despite its rhetoric, the Government is no better than its predecessors, Tory or Labour. It is not yet defeatism, but there is alarm.

We do not know either how the official Labour Party will react to amputation. It is possible that it will pull itself together. Since the Wembley conference two weeks ago, there are signs that the Parliamentary Party is beginning to assert itself. Mr. Denis Healey, the deputy leader, seems to have recovered his spirits and is again in fighting mood for a reformist party. He would probably rather welcome a challenge from Mr. Tony Benn for his post in the autumn—a challenge which Mr. Benn would almost certainly lose.

Yet even on the most favourable outlook it will take time. An inside estimate is that it will take up to three annual conferences before a Labour Party, reformed from within, is in a position to fight a general election with a chance of winning. The discussions on policy, from the reformists' point of view, *have not even begun*.

There is also the possibility that even if the reformists emerge as the dominant force, the Left will go on fighting. Mr. Benn has already given notice that he will not easily give up. There could even be a further *split*.

Still, all that remains in the realms of the unknowable. The new party, meanwhile, has assets. It has able and experienced people—not perhaps better than those in the existing parties, but certainly at least as good. It has considerable intellectual support. The list of names that appeared in The Guardian this week should not be overvalued. Either of the two major parties could whistle up an equally impressive list in five minutes. But it is still not bad for a start. If it is a matter of pursuing an intellectual argument, the Bullocks, the Cairncrosses and the Flowers are useful people to have on your side. One can already *imagine a string of* rather thoughtful policy documents from the new party's *think-tank, surpassing anything* likely to come from the Tory Central Office or from the official Labour Party. Press coverage should be assured, at least in the early stages.

Money should be no problem. Whatever else may be said about British politics, they are not particularly expensive to run. Donations and voluntary effort should do it.

Above all perhaps, the new party has time. On the assumption that there will be no general election before 1983-84, it has a good two years in which to develop its organisation, plan its operations and to produce its policies.

This is the factor which has taken the Liberals by surprise. The new party is not going for short-term by-election successes, nor is it much interested in the forthcoming local elections. On the contrary, it is planning a general election strategy. In that case it might be rather *bigger than the Liberals, who at* one stage seemed the natural partner.

There are mixed views on this. Mr. Roy Jenkins and Mr. David Steel, the Liberal leader, are still pushing the idea of a Liberal-Social Democrat alliance. There have been one or two signs of it coming into effect spontaneously: for example, in Liverpool where the Liberal MP Mr. David Alton is teaming up with his neighbouring Labour MP, Mr. Richard Crawshaw. Mr. Crawshaw has *already joined the Council for* Social Democracy. Mr. Jenkins and Mr. Steel are all for that. So on the whole are the Liberal MPs, even perhaps Mr. Cyril Smith.

Blanket coverage of constituencies

Yet it seems that Mr. Rodgers and Dr. David Owen have other ideas. They are thinking much more of developing the new party on a broad front, possibly even with an organisation in every constituency. An alliance with the Liberals would be merely tactical: for instance, in a constituency like Berwick-upon-Tweed where the Liberal MP, Mr. Alan Beith, reduced the Labour vote last time to under 3,000 and the most likely effect of a Social Democrat intervention would be *to let in* the Tories. Mr. Rodgers and Dr. Owen are not much interested at the moment in an agreement on policy. Besides, they insist that they are still socialists looking for a national party. The Liberals are second fiddle.

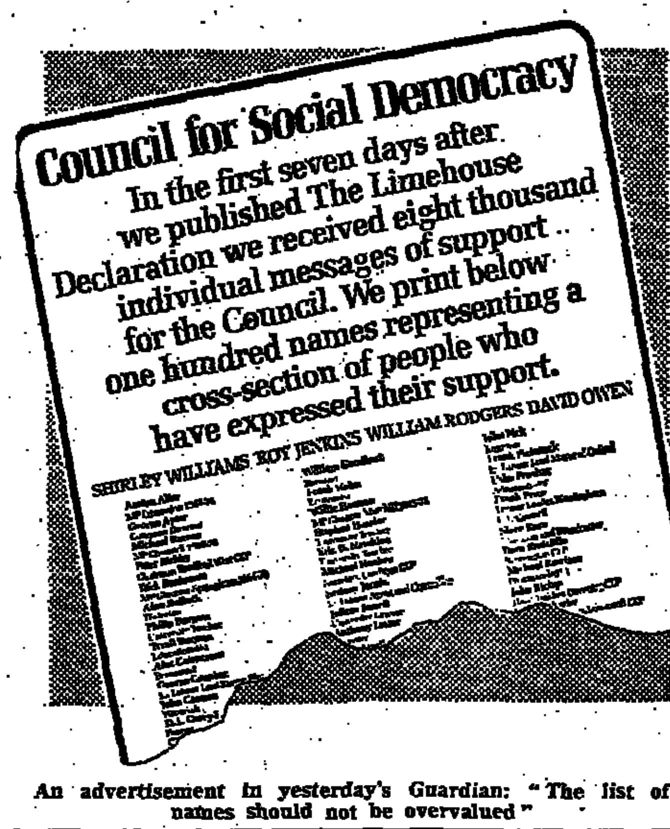
As the Liberal leadership sees it, a new party that fought more than 50 seats in a general election would present difficulties. If the new party were to fight 100 seats, the difficulties would be severe. If it were to fight 150, an alliance would become practically impossible and the new party and the Liberals would become enemies. My own guess is that that could well happen, for the new party appears to be nothing if not ambitious.

And yet, these are early days. The new party has not even been formed. It has decisions to take about organisation. It will need at some stage a constitution. It will have to decide how talks with the Liberals should take place, for what has long been the third force in British politics can hardly be dismissed altogether. There will also have to be a decision about how long collective leadership—by Mr. Rodgers, Dr. Owen, Mr. Jenkins and Mrs. Shirley Williams—can continue. At present, it is still quite difficult to know what the new party is up to, largely because it is not entirely sure itself. There is already some quite bitter in-fighting.

The view of Dr. Owen, that the founding of the new party *is part of a wider process of* sociological change is worth considering. People have outlived the old institutions and want something else. The Social Democrat Party might fill that gap, or at least appear to do so for a while. In the meantime, there can be no doubt that we are in for a period of what might be called the politicisation of British politics.

It will be no longer a matter of going to the polls every few years and registering a protest in the occasional by-election. Politics now matter all down the line, thanks partly to Mr. Benn for stirring them all up in the first place.

Malcolm Rutherford



An advertisement in yesterday's Guardian: "The list of names should not be overvalued"

Letters to the Editor

Steel in Europe

From the Managing Director, Strategy Research Associates

Sir,—I read with interest the article of January 29 describing the impact which the EEC's quota system is having upon the European steel industry.

A healthy European steel industry is a necessity if steel-using industries are themselves to be healthy and competitive. The characteristics of a healthy steel industry would be ability to produce high quality steel to user specification, in the correct quantities at the right time, in such a way as to generate a profit sufficient to facilitate reinvestment and technical development in the industry, and return a dividend to its investors.

European steel prices are estimated to be 10 per cent to 15 per cent above prices in the U.S. and 20 per cent above prices in Japan. Such a state of affairs is one reason for the declining competitiveness of major European industries such as automobile assembly.

The inefficiency of the industry is overwhelmingly a result of its national orientation. It is still organised along national lines with major nationalised corporations such as British Steel Corporation, Italsider, the French Sacilor/Usinor group, etc. attempting to fulfil a very wide range of product, dimension and quality requirements, on the basis of national concepts of production and market. Yet many of these markets are now pan-European in structure, and the economies of production of different product groups vary enormously. The industry must undergo a process of selective Europeanisation in order to become viable. This involves the restructuring of corporate identities, and the ownership of fixed assets along European lines to match the economies of scale and market demand patterns for different groups of products. Such restructuring means that some products of a commodity type, with large scale production economies, should be produced by specialist companies of which there should only be two or three majors having production facilities in several countries and serving, in a specialised way, the whole European market. Strip mill products would be one product group where the economies of scale would require such a structure. Engineering steels, whose major customer is the automobile component industry, should follow the same line of development for largely market reasons. Other products, for example sections, could well remain national in focus.

Current Community policies involving quotas and previous policies involving price control do not address the central limitation on the future viability of the European steel industry. Currently, in the UK, other European countries and the Community itself, a great deal of effort is being paid to both Government policies and corporate strategies for the 1980s. Unless this effort takes as its starting point for policy and strategy development the overwhelming requirement for a radical restructuring in terms of the economic realities of product and market characteristics it is probable that the crisis in the second half of the 1970s will persist through the 1980s and in its wake will bring a continuing weakening of those industries which take as their major raw material, finished steel products.

(Dr.) R. G. Beddows.
Strategy Research Associates,
85 Addison Road, W14.

Increases in rates

From the Deputy Director-General, Confederation of British Industry

Sir,—The Confederation of British Industry does not agree that big increases in rates are more or less inevitable and that they are a consequence of Government policies, as suggested in your editorial (February 3).

We accept that the redistributional effects of the new system of rates support grant will mean some authorities, even if they keep within the Government's spending guidelines, will have to raise their rates. This will undoubtedly cause severe hardship unless something is done about it along the lines you suggest. But others will benefit from the redistribution, and should be able to hold their rates steady or even reduce them.

Redistributional effects aside, if local authorities were to follow the Government's expenditure and cash limit guidelines, rate increases would average less than 1 per cent after allowing for the 1 per cent decrease in grant.

I am therefore deeply concerned by the estimate made by the Chartered Institute of Public Finance and Accountancy of a 20 per cent average rate increase. This could only occur if local authorities do not follow Government guidelines. I fear in practice that many local authorities will choose to ignore the guidelines, arguing that a 5 per cent cut in expenditure over two years is too great a hardship to impose on their electorate. Yet this compares with an estimated fall of 13 per cent to 14 per cent in manufacturing output between 1979 and 1981 which is more severe a fall than was experienced in the Great Depression between the wars.

Bryan Rigby,
CBI, Centre Point,
103 New Oxford Street, WC1.

Revaluation needed

From Mr. W. Dingley

Sir,—I noted with interest your leader of February 3, but would like to point out, with regard to your last sentence, that unless the rental values of industrial disaster areas have fallen below the money values applying in 1972-73, the unfortunate ratepayer is unlikely to be able to achieve any reduction in value.

For example, a factory let in 1972 for £5,000 per year may still only command £5,000 per year in 1981. If however, that is the case, the district valuer is unlikely to grant any reduction in the assessment. I may add that this injustice is also happening in the older shopping areas of our cities, where "new shopping developments" have blighted some of the older areas.

Much of the uproar concerning rates would have been diluted had the Government had the courage to carry out a revaluation of business premises in 1982.

W. N. Dingley.
Sinclair Goldsmith Dingley,
9-10, Fenchurch Street, EC3

More tax on drinks

From the Chairman, Matthew Clark and Sons (Holdings)

Sir,—The Chancellor has repeated the opinion first expressed by Mr. Healey that duty on beer, wines and spirits should be adjusted in line with inflation. This is an iniquitous and illogical argument. It is tantamount to saying that, because the cost of these goods has not risen by as much as the general cost of living, it is right that taxation be increased to cause that gap to be eliminated.

Here is an industry which, for one reason or another, has been able to contribute to the Government's main objective of reducing the rate of inflation by keeping the rise in its selling prices below the average rise in prices. Far from being congratulated by Mrs. Thatcher it is, if the Chancellor's statement *is to be believed, to be penalised* by having its finance costs and its final retail prices raised through taxation.

This prompts two questions. If the retail prices of beer, wines and spirits had risen by more than the rate of inflation *during* the year, would the Chancellor feel obliged to reduce the duty in order to bring those prices into line with that rate? How does the Government equate its stated objective, that of reducing the rate of inflation, with the Chancellor's policy of increasing through taxation the retail prices of certain goods in order to bring them into line with inflation?

If everything had its retail price so adjusted by tax, the rate of inflation could not fall.

F. W. Gordon Clark.
183-185 Central Street, EC1.

Poorly paid directors

From the Managing Director, Webb-Bowen International

Sir,—UK chief executives and directors are the poorest paid in the EEC according to a recent survey. The average net pay of a UK chief executive, adjusted for the cost of living, *is £14,675, which is less than* 50 per cent of counter-parts in France, and far below that of top men in Germany, Belgium and the Netherlands.

Similarly the average adjusted pay of other directors here at £10,924 is again almost half the salaries paid in France.

Moreover the ratio between the salaries of those providing leadership and management and other employees has been badly eroded. This is not only because of the industrial muscle of the unions improving shop floor workers pay, but also because of the attitude that top men should not be seen to have high salaries for fear of exciting controversy.

*Since today we are in an inter*national market for top management, positive action is required if we are to retain the best people in the UK.

With few family firms left, and most directors holding little equity in the companies that they manage, one often finds that the chief executive and other directors running a firm are in effect simply employees. Yet, as is obvious, they are not *getting* the rate for the job and require one of the organised bodies to protect and further their interests.

M. I. Webb-Bowen.
Webb-Bowen International,
35-39 Maddox Street, W1.

Catastrophic policies

From Professor W. Godley

Sir,—As Professor Ball correctly states (February 4) the *expansionary policies of 1973* were "near catastrophic." He also explains why "some of us (at least) talk and worry about the money supply after 25 years of silence."

Has Professor Ball no shame? On May 14, 1973 he *signed a letter to* The Times which said "We have a major economic expansion on our hands. Let us . . . be thankful for that. Some of us . . . have been calling for this expansion for several years. . . . Now we have it, together with a more flexible approach to exchange rate adjustment and a more formal approach to the control *of prices and incomes. It matters* little that these things are being done somewhat later than some of *us advocated*."

As late as September 2, 1973 Professor Ball in the Sunday Times co-authored the following statement. "We believe the Government would be right [on the LBS forecast] to resist the call for deflation and to follow broadly speaking the policies it has put in hand."

Wynne Godley,
Department of Applied Economics.
Sidgwick Avenue,
Cambridge

Silent on a peak

From Mr. J. Rimington

Sir,—In your issue of January 29 there appears the headline "Top Civil Servants seek 19 per cent rise." This refers to pay manoeuvres by the Society of Civil and Public Servants, which as you say represents executive civil servants.

A very few of the members of the society are "top civil servants" *and it is presumably on* their account that officers of the Society have occasionally seemed in their public statements to be speaking on behalf of top civil servants as a whole. But I would guess that the overwhelming majority of the *society's 100,000 or so members* would indignantly or humorously repudiate any such description of themselves, as indeed would the great majority of the 9,000 or so members of the first division association which is sometimes said to "speak for Permanent Secretaries." In these troubled times, it would be as well for your readers not to be confused on these matters, if only so that they can rub their eyes in true disbelief in the unlikely event of top civil servants publicising *their thoughts about what they* are or should be paid.

J. D. Rimington.
8 Alwyne Place,
N1.

Today's Events

GENERAL

UK: Mr. James Prior, Employment Secretary, speaks at conference on British industry, business and agriculture in the EEC, Solihull.

Banking, Insurance and Finance Union English clearing bank section considers industrial action over pay claim.

Mr. Morrison R. Dunbar, NFBTE national president, and Mr. Alan Guest, Barclays Bank regional general manager, SW, speak at National Federation of Building Trades Employers (*southern region*) annual meeting... Royal Lancaster Hotel, London.

Mr. Claude Leon, Union of Technical Societies president from Paris, speaks at British Kinematograph Sound and Television Society 50th anniversary, Royal Lancaster Hotel, London.

Birmingham Chamber of Commerce open meeting to introduce the Motorcade export marketing concept.

Mr. Alan Pearsall, National Maritime Museum, speaks on Blackwall Frigates, Museum of London, 1.10 pm.

Overseas: Mrs. Margaret Thatcher meets Queen Beatrix of the Netherlands, and Mr. A. A. M. van Agt, Dutch Prime Minister, at The Hague.

International Commission on Disarmament meets, Vienna.

Sir Ian Gilmour, Deputy Foreign Secretary, concludes Middle East tour with visit to Kuwait.

President Valery Giscard d'Estaing and Chancellor Helmut Schmidt conclude Franco-German summit meeting, Paris.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' Bills.

OFFICIAL STATISTICS

Department of the Environment publishes details of housing starts and completions for December, and house renovations for the fourth quarter.

COMPANY MEETINGS

Eldridge Pope, Dorchester Brewery, Dorchester, Dorset, 12.15.

COMPANY RESULTS

Final dividends: British American and General Trust. Glasgow Stockholders Trust. Interim dividends: Armour Trust. Second Alliance Trust. Stoddard Holdings.

LUNCHTIME MUSIC, London

Organ recital by Rosemary Field, St. Paul's Cathedral, 12.30-1.00 pm.

Recital by Helen Charnock and Penelope Davis (sopranos), Guildhall School of Music and Drama, 1.10 pm.

Lonrho leaps to £119m and paying 6p final

Lonrho, the international trading conglomerate, has reported record pre-tax profits of £119.1m for the year to September 30, 1980, compared with £78.2m previously. Turnover advanced 34 per cent from £1.57bn to £2.1bn.

Mr. Tiny Rowland, chief executive, says that the results are largely due to the performance of the mining, agricultural and hotel divisions of the group. "These three areas of business alone did well enough to overcome the effects of the general recession."

The net total dividend is being stepped up from 7.32p to 10p—including a 1p special payment—by 6p final, on capital increased by last year's rights issue.

Profit before tax and central finance charges of Lonrho's hotel activities were £16.56m; mining and refining, £63.34m; agricultural equipment machinery and motors £20.01m; and agriculture, £12.95m.

An analysis of profits including associates of the rest of the group's other activities shows general trade, £14.8m; textiles, £4.97m; engineering and manufacturing, £1.58m; export confirming, finance, property and insurance, £10.02m; wines, spirits and beers £3.13m; and printing and publishing, £4.34m.

Mining profits increased from £26m to £63m helped by firm metal prices, higher production and contained costs.

The average price of gold realised was well in excess of that for the previous year. Total group gold production was 367,000 ounces.

Lonrho's 86 per cent owned subsidiary, Duiker Exploration has exercised its 36 per cent participation rights in a major new mine with the Anglo American Corporation. This property, Eastern Gold Holdings, is forecast to produce 350,000 ounces of gold annually.

There was a 180 per cent jump in net profits by the Princess hotel division, part of Princess Properties which completed its first full year in equal joint partnership with Mr. Daniel K. Ludwig of New York.

The world price of sugar improved rapidly during the year and overall production exceeded 380,000 tonnes which helped Lonrho's agricultural interests.

On the engineering side Mr. Rowland says that the engineers and steel workers' strikes in the UK led to disruption of work in hand at Lonrho's plants.

At Hadfields of Sheffield steel-making suffered substantially, but the engineering and steel processing companies still contributed to profits.

Assets employed within Lonrho are now almost £850m. Net current assets are up by £78m to £147m, with an increase in cash balances which stood at £108m at the year end.

In his review of the year Mr. Rowland refers to Lonrho's recent 150p cash offer for House of Fraser.

"Shareholders perhaps know that we are not happy with some recent House of Fraser board appointments," he says.

Comparative figures have been restated to reflect a change of accounting policy for depreciation written back on revaluation of fixed assets.

Lex, Back Page

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aaronson Bros.	3	April 8	3	4.2	4.2
Apex Properties ...int.	0.7	March 30	0.7	—	2
Beaumont Props.	3.75	March 26	3	5.25	4.5
BH South	§4	March 31	—	—	—
Blundell-Permoglaze	3.2	April 1	3.6	4.8	4.8
Christie Tyler ...int.	1	April 6	2	—	6.5
IDC Group	3.85	—	*3.5	5.06	*4.6
Lonrho	6	—	4.68	‡10	7.32
ML Holdings ...int.	2	April 7	2	—	7
Western Mining ...int.	§7	April 24	—	—	—
H. Williams ...int.	Nil	—	1.14	—	6.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes special of 1p. § Australian cents.

Caution at Arthur Guinness

THE FIRST quarter of the current year at Arthur Guinness Son and Co., brewer, had shown little respite from the situation reported in the 1979-80 accounts, the Earl of Iveagh, the chairman, told the annual meeting. He could only remain very cautious in forecasting how the rest of the year might run.

For the year to September 27, 1980, turnover increased from £687.2m to £753.6m, but pre-tax profits fell 18 per cent to £43.3m.

Members were told that in the Republic of Ireland beer sales had been slightly down in the first quarter compared with last time. In the UK total production in the period had been about 10 per cent lower, although draught Guinness had held up well.

Bottled Guinness sales continued to fall in line with the bottled beer market generally. Harp lager sales had been somewhat less buoyant, but UK had followed the trend of the lager market.

The overseas brewing position was brighter and these companies had generally been operating up to their budgetary expectations.

Beaumont earns and pays more

AS PROJECTED at the interim stage, full year results of Beaumont Properties show an improvement over the previous figures. For the 12 months to September 30, 1980, pre-tax profits advanced from £1.27m to £1.46m, with £767,000, against £654,000, coming in the first half.

Full year earnings per 25p share rose by 1.3p to 6.6p and the dividend total is stepped up to 5.25p (4.5p) net, with a final of 3.75p.

Gross income increased from £1.82m to £2.3m. The pre-tax result was struck after higher interest of £924,545 (£661,878), but included associates' contribution of £76,781 (£108,379).

Tax took £503,910 (£523,778) giving a net figure up from £747,197 to £952,754, struck before an extraordinary credit of £297,699 (£508 debit).

Apex Props.

Taxable profits of Apex Properties rose from £335,147 to £362,701 for the half year to September 30, 1980, although the result included lower interest receivable of £55,458, against £99,151.

After tax of £188,604 (£174,276) earnings per 10p share rose from 1.49p to 1.62p, but the interim dividend is being held at 0.7p net—last year's total payment was 2p on pre-tax profits of £691,000.

Rents receivable for the half year improved from £501,394 to £548,146.

Mining Supplies jumps to £2.37m for six months

WITH TURNOVER some £4m higher at £14.09m, taxable profits of Mining Supplies, the mining machinery group, showed a jump from £0.55m to £2.37m for the 26 weeks to October 25, 1980. The figures do not include results of Laurence Scott Group, control of which was acquired after the half-year end.

With the group now holding 95 per cent of the capital of Laurence Scott, steps are in hand to acquire the balance. Total cost, including expenses, was £5.5m, made up of £4m cash and shares to the value of £1.5m. All cash required was supplied from existing resources.

Mr. A. Snipe, the Mining Supplies chairman, says the present trading position of Laurence Scott is one of mixed fortunes. There is a recent history of heavy losses and post-acquisition reports are under consideration, but he says it would be unwise to make any predictions at this stage.

The group continues to operate with a reasonably good order book, although coal mining business in the UK has been affected by recent cutbacks. However, export orders for mining machinery forms a major part of the existing business, which should see it through 1981 without any serious need to cut back on production, Mr. Snipe states.

New foreign subsidiaries have been formed in the group's mining division in Australia and South Africa, while its first production unit is now completed in Virginia, U.S., and will go into production mid-1981 with a secure order book.

The chairman says prospects for expansion in overseas markets with the establishment of production units and service departments is most encouraging and will, as a result of Laurence Scott acquisition, offer more opportunities for additional products.

Other group subsidiaries are experiencing a reduction in business due to the recession, but this is not expected to seriously affect the performance in the second half.

As usual, no interim dividend is being recommended, but as stated in the offer for Laurence Scott, the Board intends to at least maintain a dividend of 2p net per share for the current year.

Last year, pre-tax profits totalled £3.31m.

Tax for the first half took £1.19m (£281,000) giving a net surplus ahead from £270,000 to £1.19m.

● comment

Last year, Mining Supplies' half-year profit was depressed by the engineering strike, so a fourfold increase at the pre-tax level is not a very meaningful guide to the company's performance. By any normal standards, however, it was more than satisfactory, registering a 94 per cent rise on the first half of 1978. There is a slight falling away from the second half of 1979-80, but that was probably somewhat bloated by contract completions held over from the first half. The present accounts do not include Laurence Scott, which lost £1.7m in the five months before the offer from MS. If the heavy input of management stems these losses, MS may succeed in topping last year's £3.3m even after Laurence Scott is included. The shares moved ahead 5p to 141p, where the historic yield is 2 per cent and the prospective fully taxed p/e almost 20.

Muirhead expects profits

IN HIS annual review, Sir Raymond Brown, chairman of Muirhead, manufacturer of electro-mechanical devices and communications equipment, tells shareholders that order levels are generally good, and a return to profitability is foreseen before the end of the current year.

As reported on January 16, following a drop from £931,000 to a near break-even £29,000 at mid-term, the group finished the September 30, 1980, year with taxable losses of £2.25m, compared with profits of £911,000. And the dividend was omitted against 4p net per share previously.

The directors explained that in some companies, particularly in the data communications and process control fields, order intake did not reach expected levels.

Net short-term borrowings, as at September 30, totalled £6.8m, against £5m a year earlier.

Brockhouse sees loss at midway

THE CURRENT first half at Brockhouse would be bad and show losses, Mr. R. J. H. Parkes, chairman told members at the annual meeting.

He said that the second half performance would depend on many factors — world economy, interest rates, energy costs, strong sterling and the Budget—and that with so many unknowns, it was impossible to make any forecast for the full year.

Pre-tax profit for the whole of the 1979-80 year fell from £2.61m to £757,000, the first six months producing £327,000 (£1.37m).

He explained that the main consideration for 1981 would not be profitability so much as cash flow. Plans had been laid to cater for changing circumstances, but the directors felt that unless the situation became appreciably worse the group should endeavour to maintain production capability, even if it was not profitable in the short term.

Christie Tyler £0.45m in the red so far—interim halved

AS FORECAST, Christie Tyler, furniture and upholstery manufacturer, had a poor first half and suffered pre-tax losses of £445,000 for the six months ended October 31, 1980, against £1.61m profits. Turnover fell by 5 per cent from £34.96m to £33.38m.

Mr. George Williams, chairman, says that results reflect the exceptionally poor trading conditions in the furniture market, and although sales were down the group's market share increased during the period.

"It is not believed that a significant improvement in our market is likely until 1982," he states, but the group remains in a good position to respond quickly to any such improvement.

The interim dividend is also cut from 2p to 1p net per 10p share, and the directors say that in the present economic circumstances this should not be taken as a guide to the likely level of the final payment—last year's total was 6.5p paid from a pre-tax surplus of £2.09m.

Mr. Williams states, however, that following completion of the rationalisation programme — costs incurred are shown as a £590,000 extraordinary debit for the six months—the group has been profitable every month since last September, "although at an unsatisfactory level."

Loss for the period included interest, up from £60,000 to £262,000 but was before a tax credit of £231,000 (£837,000 charge) and a £950,000 release of deferred tax in respect of stock relief no longer required.

There is an after-tax profit of £736,000 (£773,000), giving earnings per share of 7.6p against 8p, but after the extraordinary item the attributable balance is left at £146,000 (£773,000)—the interim dividend will absorb £96,000 compared with £192,000.

● comment

Christie-Tyler's interim lurch into the red was in line with market expectations. By price cutting Christie-Tyler has increased its share of a declining market. Even so its volume at the interim stage was 10 per cent lower than last year. A cash balance of £1.58m has been wiped out by £1.2m in reorganisation costs and more than quadrupled interest charges. The second half will look more cheerful—the company has been trading in the black since September—but with a shorter than usual order book Christie-Tyler will do well if it manages to break-even for the year. Given the gloomy prognostication of no upturn in demand for furniture before 1982 a question mark hangs over the final dividend. The shares shed a further 2p to close at 39p, their lowest level in the past year.

Blundell-Permoglaze slips back but maintains dividend

TAXABLE profits of Blundell-Permoglaze Holdings, paint manufacturer, slipped from £2.19m to £1.84m in the year ended October 31, 1980, on sales £2.94m higher at £23.7m.

However, stated earnings per share fel sharply from 23.4p to 6.3p after a much higher tax charge of £1.44m against £694,898.

Mr. N. G. Bassett Smith, chairman, explains that a claw-back of stock relief resulting from a reduction in the very high level of stocks the group has been carrying in recent years required a provision of £442,000 in the tax charge

He adds that the Government's present proposal for charging stock relief based on an arbitrary date of November 14, 1980, would not apply to the group's last financial year. If it did, relief of £320,000 rather than a charge would result, lifting after-tax profits—down from £1.49m to £401,745 — by £762,000 and improving per-share earnings to 18.3p.

The directors have made the strongest representations to the Government, says Mr. Bassett Smith, in the hope that the Chancellor will appreciate the inequity of the present proposal.

In the circumstances obtaining throughout the year the trading result is satisfactory, states the chairman. This, together with the continuing strong liquid position, has led the directors to maintain the dividend at 4.8p net with a final of 3.2p (3.6p)—the interim payment was increased to 1.6p (1.2p) to reduce disparity.

Midway profits were down from £689,000 to £540,000.

Nat-West's U.S. subsidiary falls 30%

BY DAVID LASCELLES IN NEW YORK

National Bank of North America, Natwest's U.S. subsidiary, reports a sharp drop in earnings, the second yearly decline since Natwest bought it in April 1979.

In many ways the disappointing result reflects the pressures facing the U.S. banking industry as a whole because of high costs and uncertain business conditions. But NBNA is also trying to improve the structure of its assets.

Net profits were $12.1m, a drop of nearly 30 per cent on the $17m earned in 1979. This includes a loss of $345,000 in the final quarter compared to a profit of $2.8m in the same period in the previous year.

Full year profits were depressed by $3.3m after tax provision to cover the loss on the proposed sale of some leased assets as part of the bank's effort to restructure its longer-term fixed rate portfolio.

The provision was charged to the fourth quarter and accounts for the loss reported in that period.

Mr. Thomas Frost, the president and chief executive, said the decline was also partly due to higher loan loss provisions, including $6m to cover charge-offs on two national credits which are in trouble. Mr. Frost does not identify the credits. However, the bank is believed to have loans out to Chrysler and other problem companies in the auto industry.

The bank's loans grew only slightly during the year, from $3.1bn to $3.4bn, but net interest income rose 19 per cent to $146.7m, suggesting that NBNA was able to take advantage of rising interest rates to widen its spread.

The bank's total assets at the end of last year were $5.7bn, which makes NBNA about the 40th largest bank in the U.S.

Michael Lafferty adds:

Mr. George Cathles, head of strategic investments at National Westminster, said yesterday that NBNA was now operating "on the broad lines of success." Within five years and probably sooner, the bank would be "operating at a satisfactory level of profitability."

Commenting on the results, he said that NatWest had inherited a book which had not been managed, but that had now been sorted out. The profit had also been affected by an increase in the number of staff, a 12 per cent average once-for-all pay increase, and other matters such as training and marketing expenses.

Blackman and Conrad shares suspended

Shares of Blackman and Conrad, the loss-making clothing company, were temporarily suspended yesterday pending an announcement.

At the suspension price of 6p, the company has a market capitalisation of £290,000. In the first half of last year, it made a pre-tax loss of £90,000 compared with profits of £115,000 in the comparable period.

The company gave no indication of the likely nature of the announcement, and no directors were available for comment.

In December, when stating the first half deficit, the company said the current situation showed little sign of improvement. No dividend has been paid since 1977.

'Tough time' for UDT as profits plummet to £3m

United Dominions Trust had a "tough time" in several major areas of business in the six months to the end of December, according to the interim figures which accompany the agreed offer document from the Trustee Savings Bank.

Pre-tax profits fell from £7.9m to £3m and after extraordinary losses of £1.4m (compared with a credit of £100,000) there was a net loss for the period of £1.2m (profit of £5.3m).

No forecast is made for the whole year, but the "current economic climate remains difficult" shareholders are reminded particularly in such areas as instalment credit, hire purchase for cars and garage business generally. A spokesman for the company said that it was these areas which had had "a tough time" in the first six months.

The extraordinary items include £800,000 on the abortive plan for TSB to take over 75 per cent of UDT's consumer credit business. In the event, just weeks before the agreement was to have been signed, Lloyds and Scottish made a full bid for UDT of around 55p a share which was then rapidly topped by the TSB's surprise entry into the arena with a 57p offer.

The UDT Board is recommending TSB's offer because it provides "an ideal solution to our problems in that they meet our objectives in relation to both stockholders and employees."

Representatives of the Banking, Insurance and Finance Unions last night also welcomed the bid in preference to that from L and S.

TSB has given assurances that while it intends to dispose of some of UDT's business which is not related to financial services, "it will do so with due regard to the interests of the employees and customers."

TSB explain its desire to take-over the instalment credit side of UDT in terms of an "established and well respected finance house through which to channel a proportion of customer funds, thereby assisting the group in its task of portfolio diversification."

It also makes no secret of their desire to become "a comprehensive banking organisation servicing the whole of the United Kingdom, the Channel Islands and the Isle of Man."

TSB has £5.76bn of customers' deposits more than matched by £989m of cash, £1.24bn of deposits with the National Debt Commissioners; £3.44bn of investments and £352m of advances. With debtors outranking creditors by £203m to £104m and another £100m of fixed investments, TSB has reserves of £464m.

Lloyds and Scottish is still reserving its decision about whether to come back with a higher bid. No announcement is expected from the L and S Board before early next week.

BANK RETURN

	Wednesday February 4 1981	Increase (+) or Decrease (—) for week

BANKING DEPARTMENT

	£	£
Liabilities		
Capital	14,553,000	—
Public Deposits	34,400,480	+ 3,669,772
Bankers Deposits	620,453,380	+ 41,030,900
Reserve & other Accounts	1,316,924,859	— 6,377,056
	1,986,333,719	+ 38,323,616
ASSETS		
Government Securities	619,783,856	— 74,745,000
Advances & other Accounts	816,644,618	+ 16,815,998
Premises Equipment & other Secs.	536,979,374	+ 133,635,660
Notes	9,646,758	— 4,740,068
Coin	277,219	— 11,978
	1,986,333,719	+ 38,323,616

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes Issued	10,175,000,000	+ 50,000,000
In Circulation	10,165,353,242	+ 54,740,068
In Banking Department	9,646,758	— 4,740,068
ASSETS		
Government Debt	11,015,100	
Other Government Securities	6,950,799,740	+ 260,408,141
Other Securities	3,213,185,160	— 210,408,141
	10,175,000,000	+ 50,000,000

It gives Lonrho much pleasure to offer a satisfactory year's results to the shareholders

R. W. Rowland, Chief Executive

Dear Shareholder,

Lonrho has achieved record profits and turnover this year, largely due to the performance of the mining, agricultural and hotel divisions of the Group. These three areas of business alone did well enough to overcome the effects of the general recession.

The balance sheet has been considerably strengthened—assets employed in the Group are now almost £850 million. Net current assets are up by £78 million to £147 million, with a major increase in cash balances which stood at £108 million at the year end. During the year we had a successful rights issue.

The underlying strength of your Company is the balanced range of its business—from raw materials and agriculture to manufacturing and retailing.

The Group is represented in 64 countries and employs over 140,000 people.

I hope you will find the brief review of the year's business of interest, and also glance at the graphs and figures on pages 52 and 53. We have every reason to believe that our steady rate of expansion can be maintained.

Mining

Mining profits increased from £26 million to £63 million in a good year characterised by firm metal prices, higher production and controlled costs.

The average price of gold realised was well in excess of that for the previous year. Total Group gold production was 367,000 ounces, with improved milling facilities at two of our properties and the acquisition of two small but productive mines.

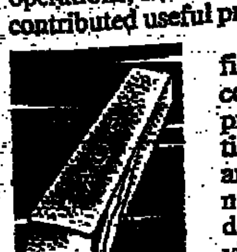
Our 86 per cent. owned subsidiary, Duiker Exploration Ltd., has exercised its 36 per cent. participation rights in a major new mine with the Anglo American Corporation. This property, Eastern Gold Holdings, is forecast to produce 350,000 ounces of gold annually.

Western Platinum increased production by six per cent. to 131,000 ounces of platinum group metals. Firm prices prevailed throughout the year and costs were stable. Last year I referred to the research programme for the second higher-grade reef, and I am glad to tell you that the associated technical problems have been resolved. We are currently spending an estimated £14 million on exploiting this extensive new ore body. We expect to start production next year, building up rapidly to an additional 110,000 ounces of platinum group metals annually. Profits should consequently increase by about £10 million per annum at current prices and cost levels. The Lonrho Group refinery has been sold and is now wholly owned by Western Platinum, the mining company in which we hold 50.4 per cent. Our partners are Superior Oil of Houston and Falconbridge of Canada.

Miners at Ashanti

The collieries increased production to 2.62 million tonnes of bituminous coal and 535,000 tonnes of anthracite. We have started work on opening a new anthracite mine with an annual productive capacity of 600,000 tonnes.

Asbestos and copper markets remained depressed. Our small-scale operations, however, again contributed useful profits.



Gold from Ashanti

In the light of firm prices, gold continues to be our principal exploration target, and we are researching a number of deposits. Where viability has been proved, current work is aimed at gaining additional information for mine planning. We also prospect for other precious metals, base metals and coal.

Agriculture and Ranching

The world price of sugar improved rapidly during the course of the year and overall production exceeded 380,000 tons.

The new Dwangwa sugar project in Malawi is now working extremely well and some 50,000 tons of sugar are expected in 1981. The contribution to Group profits from our sugar operations is important to the Group.

Beef cattle in Africa

The Group's tea estates were adversely affected by drought and the drop in tea prices this year.

Your Company's other agricultural projects in Africa, including particularly coffee, timber and tobacco, and the growing of mushrooms, maize, wheat, barley, soya beans, onions and potatoes had a good year. The maize and wheat crops in Kenya this year have been especially notable.

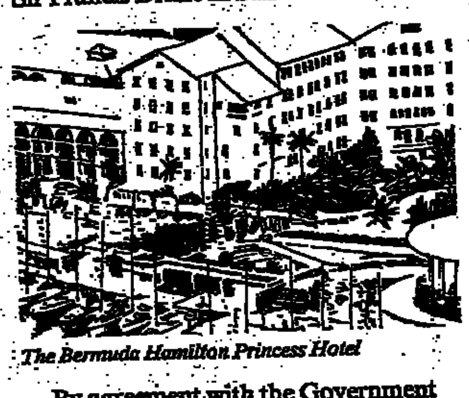
The total herd of beef cattle is still 100,000 head after sales of 20,000 head.

Finally, this year saw the completion of phase one at the Kenana Sugar Project in the Sudan. This scheme, which was invented and planned by your Company in 1971, continues to be the largest single agricultural project in Africa and the Middle East.

We were responsible for the site selection, the soil analysis, the development plans and the successful negotiations for the funding by Pan-Arab institutions. It now has Arab management, but Lonrho, as founder member, continues to be a shareholder of Kenana.

Hotels

We have now had a full year as 50 per cent. owners of Princess Properties in partnership with Mr. Daniel K. Ludwig, of New York. We are happy to report that the Princess hotel division's net profits reflected a 180 per cent. increase as compared with the previous year. The six fine resort hotels in the Bahamas, Bermuda and Acapulco, Mexico, continue their vigorous improvement policies. The Company also owns the Sir Francis Drake in San Francisco.



The Bermuda Hamilton Princess Hotel

By agreement with the Government of Mexico, the Princess Group is expanding its world-famous Acapulco Princess by construction of a further 320 rooms. It is proposing to build on its Acapulco site a major series of landscaped apartment blocks.

In Mexico City, Princess Properties owns a magnificent site on the Paseo de la Reforma for the construction of a new Princess hotel and office block. We expect to finish planning and initiate this project in 1981/82.

Despite the general downturn in business for hotels in the U.K., this has been another successful year for the Metropole Group.

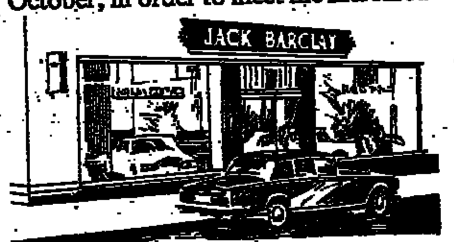
In Brighton, a record 175 conferences and exhibitions were held, and in Birmingham another record was achieved of 475, maintaining our premier position amongst U.K. conference and exhibition hotels. The London Metropole's overall occupancy was 86 per cent., although tourism to the capital declined. Upgrading continues at the Metropole hotels. All new hotel building works are carried out by the Group's building company, Fassnidge, Son & Norris.

Motors

Jack Barclay, the world's largest distributors of Rolls Royce and Bentley motor cars, made a significant contribution to the results of the wholly owned Dutton-Forshaw Group. Orders for the new Rolls Royce Silver Spirit exceeded expectations.

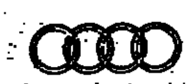
The Volkswagen-Audi franchise had an excellent year, with the introduction of the Volkswagen Jetta and Audi 200 to the existing range and with unit sales of 79,000.

A new £2 million extension to the computerised distribution centre at Milton Keynes was completed in October, in order to meet the increased



Rolls Royce from Jack Barclay

demand for vehicle parts and accessories from 355 well spread dealerships.



In East and Central Africa sales of trucks and tractors increased by over 28 per cent. but in West Africa sales have not yet returned to the levels attained in past years.

In Nigeria we have signed a nationwide distribution agreement for locally produced Mercedes commercial vehicles and we assembled and sold 35,000 Yamaha motor cycles. Over 7,000 outboard engines were sold, and volume production of glass fibre workboats has started up.

Aircraft and Cargo

Tradewinds, the cargo airline flying Boeing 707's out of Gatwick Airport, staggered through the year, against overseas competition, which it found difficult to meet on equal terms. We shall need to find a new formula.

The Beechcraft dealership in Africa sold 70 of these useful medium range planes.

Kendall Globe, travel and freight agents in the United Kingdom, has expanded comfortably.

Lonrho operates medium range turbo-prop aircraft in Africa and one Grumman II jet. We also represent Grumman in most African countries.

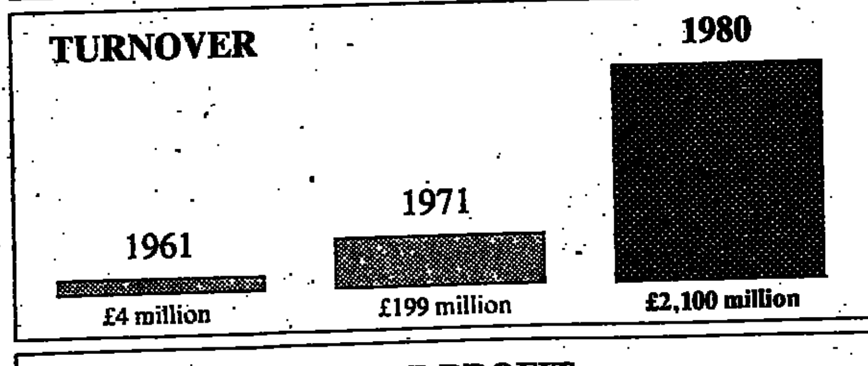
Textiles

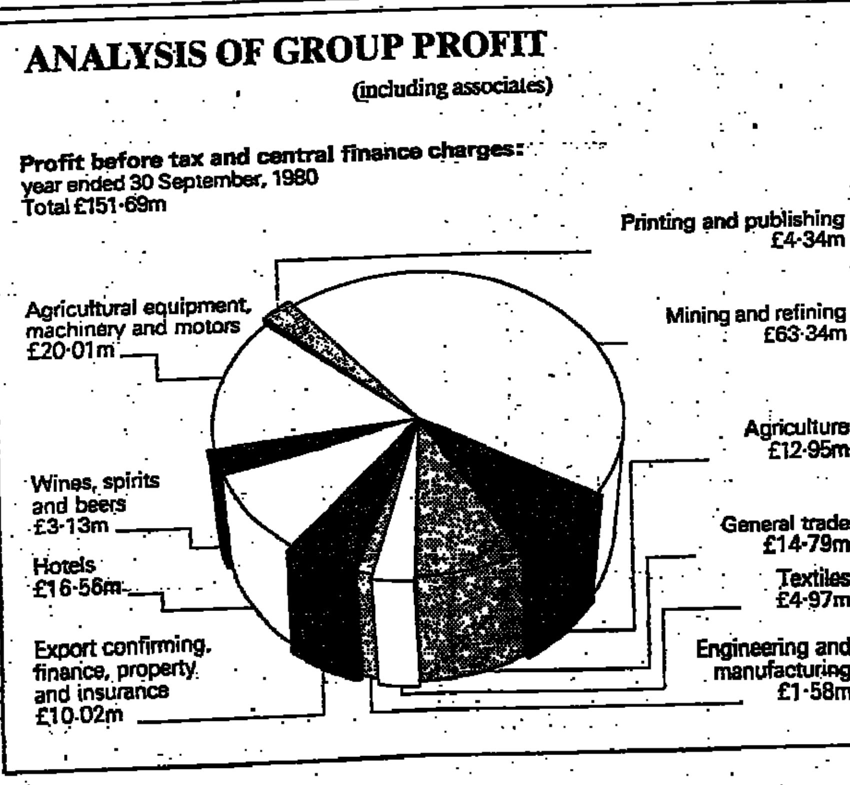
The range of co-ordinated bedlinen marketed under the brand name "Accord" proceeded as planned to be the number two brand in the United Kingdom. 1980 saw the fruition of plans for the Brentfords' chain of shops, which aims at a mass market. New store openings brought the chain to 50 by December, 1980. Store image and ranges have been completely restyled. Lonrho Textiles Limited continues to make encouraging progress towards profitability.

Our textile subsidiaries in Africa have been very successful, increasing profits by 20 per cent. David Whitehead in Malawi exported 40 per cent. of their production to ten countries, in addition to catering for local demand. Production and sales of cloth in Zimbabwe exceeded 20 million metres.

YEAR AT A GLANCE

	1980	1979
Turnover	£2,100·66m	£1,565·45m
Profit before tax and central finance charges	£151·69m	£94·93m
Central finance charges	£32·59m	£16·70m
Profit before tax	£119·10m	£78·23m
Dividends per share	10p	7·32p





Printing and Publishing

The acquisition of Harrison and Sons by SUITS was concluded during the early part of this year. This famous group prints company reports, text books and many other types of specialised paper, in addition to being one of the foremost printers of postage stamps in the world.

A highlight of the year for Harrison and Sons was the printing of the Post Office's commemorative stamp celebrating Her Majesty Queen Elizabeth The Queen Mother's 80th birthday.

Holmes McDougall, who print educational books, magazines and posters, had a subdued year partly because of Local Authority spending cuts.

Daniel Greenaway & Sons, the Group owned City, financial and security printers, are set to become the most sophisticated financial printers in Europe with the installation of computerised typesetting in its London factory during the year ahead.

Outrams, publishers of the "Glasgow Herald" and "Evening Times", moved to their new premises in Albion Street, Glasgow. Sales of the "Glasgow Herald" and "Evening Times" average 330,000 copies a day during the year, whilst advertising volume was at a similar level to 1979. Outrams have announced plans to launch a new Scottish Sunday newspaper.

Overall the performance of our printing and newspaper publishing companies in Africa has improved, after some difficult years.

Export Confirming and Broking

The international financing operations of Balfour Williamson did well against exceptionally high interest costs for all major international currencies and the increasing strength of sterling.

John Holt's export confirming with West Africa has improved in line with the upturn in the economies of the countries concerned. After a few difficult years of import restrictions, the future looks promising once more.

Our cotton broking firm handled approximately 34,000 tonnes in a quiet market.

Property

We are continuing to dispose of residential properties in England, whilst retaining, through our wholly owned subsidiaries, London City and Westcliff and AVP Properties, a portfolio of good quality industrial and commercial properties.

Department Stores

Lonrho Limited has a £75 million investment in the House of Fraser, just under 30 per cent. of the total issued share capital—there are no other major shareholders. House of Fraser owns Harrods, Dickins & Jones, Kendal Milne, John Barker and other fine department stores. Shareholders perhaps know that we are not happy with some recent House of Fraser Board appointments. On 28th January, 1981 we announced that we would be making an offer for the balance of the issued ordinary shares at 150p per share.

Wines, Spirits and Beers

After an extensive promotion and marketing exercise in the United Kingdom, volume sales of Whyte and Mackay whisky increased nearly 40 per cent. to reach nearly eight million litres for the year.

At the vineyards, the size and quality of the 1979 vintage enabled your Company's Château estates in the Bordeaux region—Rausan-Segla (2nd cru classe), Smith-Haut-Lafitte, La Garde, de la Tour and Olivier—to increase sales by 66 per cent. The shippers Louis Eschenauer had to contend with a fall in overseas demand, but the French wine operation altogether attained its highest ever profit level.

The Group's Pepsi-Cola plant in Kano, in this its first full year, sold nearly 2·8 million cases, making it the largest Pepsi bottler in Nigeria; capacity is being increased in 1981.

We have also for many years been bottlers for Coca-Cola in Zambia.

In the United Kingdom the Ashe & Nephew off-licence chain continued to grow, with shops exceeding 300 by November, 1980 and turnover for the year rising by £7 million to £41 million, bringing an increase in staff to 2,382.

Engineering, Steel and Manufacturing

In Zimbabwe the profitability of our engineering and manufacturing companies improved. W. Dahmer and Zambesi Coachworks, who are two of the country's leading bus, truck and coachbuilders, are projecting a healthy increase in sales for the forthcoming year.

The Dwangwa Sugar Factory in Malawi

The engineering industry in the United Kingdom suffered two thirteen week strikes by the engineers and steel workers, which naturally meant major disruption of work in hand at your Company's plants.

At Hadfields of Sheffield steelmaking suffered substantially, which is disappointing; however, the engineering and steel processing companies still contributed to profits. Lightfoot Refrigeration had a particularly good year.

In common with all domestic furniture manufacturers, Homeworthy experienced a downturn. It is now concentrating its operations in its modern Sunderland factory. The Emerald and Pland companies, volume manufacturers of a wide range of stainless steel sink tops, traded successfully, as dic Peter J. Hopkinson, plumbing factors.

Sheer Pride produced reasonable results and is developing new products for its range of office furniture.

Pipeline

After the Independence of Zimbabwe it became a priority to recommission our 180 mile pipeline connecting the refinery at Umtali in Zimbabwe with the port of Beira in Mozambique. The pipeline and its pumping stations have remained idle for 16 years.

Our team of engineers began work on pressure testing the pipe in September, 1980. The major part of the pipeline has been proved to be in good order, although a portion will need to be replaced where it crosses the Pungwe marshes.

The line was designed for pumping either crude oil or refined products, and, until such time as the refinery is on-stream, it will pump refined products from Beira to Umtali. Our breach of contract claims against Shell and BP continue in arbitration.

Conclusion

Many companies and projects are not particularized in this condensed review, nor can I name all the able and enthusiastic people whose services the Group is fortunate to have. With their support, we intend to look forward to continued growth.

I'd like to take this opportunity of thanking them, and saying how much pleasure it gives the Lonrho Group as a whole to offer a satisfactory year's results to the shareholders.

Yours sincerely,

Tiny Rowland

The seventy-second Annual General Meeting of Lonrho Limited will be held at the Great Room, Grosvenor House, Park Lane, London, W.1. on Thursday 26th March 1981, at 12 noon.

LONRHO

Lonrho Limited, 138 Cheapside, London EC2V 6BL

The text is taken from the Chief Executive's review contained in the 1980 Report and Accounts which will be published later this month. Copies will be available from The Secretary, Lonrho Limited, 138 Cheapside, London, EC2V 6BL.

MINING NEWS

Australia's W. Mining has good first half

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S Western Mining Corporation has raised its profit for the 28 weeks to January 6 by 28 per cent to A$31.9m (£15.9m) from A$25m in the same period of last year, reports James Forth from Sydney. The interim dividend, however, is unchanged at 7 cents (3.5p).

The main factor in the better earnings has been an advance in investment income to A$15.3m from A$5.6m, this reflecting higher dividends from the Alcoa of Australia aluminium group and an initial contribution from the 80 per cent holding in BH South.

WMC nickel production dipped 6 per cent but this was offset by an 8 per cent rise in revenue from the metal because of higher prices. The group also sold gold in its own right for the first time, it being produced from the Hunt mine at Kambalda, which also produces nickel.

The WMC chairman, Sir Arvi Parbo, said that the group expected to sell significantly more gold than the 4,173 ounces sold in the first half of the current year to June 30 when the cyanide circuit at Kambalda begins operations. The 50.5 per cent owned Central Norseman Gold has lifted earnings by 8 per cent to A$11.1m and declared a dividend of 12.5 cents.

WMC received dividends of A$3.3m in the half-year from Central Norseman compared with A$2.2m in the previous period and will receive another A$1.64m from the latest payout.

WMC also released further drilling results from a gold prospect at Stawell in Victoria which included a width of 10.5 metres grading 4.4 grammes gold a tonne and 14.4 metres of 2.8 grammes. Sir Arvi said the drilling indicated an economic orebody but it would be at least five years before it started producing.

Further results of drilling at the huge Olympic Dam uranium-copper-gold prospect were announced and Sir Arvi said there was no doubt it would eventually be a major mine. WMC was working as fast as it could to draw up a development plan.

BH South lifted its profit to A$2.7m from A$1.78m in the December half-year and paid its first dividend in seven years, of 4 cents a share. South's only major income producing assets now are shareholdings in Alcoa and CRA but it is working towards the re-opening of its Queensland phosphate operation.

WMC made no comment on prospects for the current half-year other than to point out that demand for nickel and aluminium is expected to show little growth in view of the prevailing world economic downturn.

Income from these metals, therefore, can be expected to ease in the second half, but the impact of this on WMC overall revenue should be cushioned by the group's growing income from gold operations. In London yesterday the shares of this essentially long term investment eased 8p to 235p.

First-quarter setback for Teck

NET PROFITS of the Canadian natural resources group Teck Corporation for the three months to December 31, 1980, declined by 37 per cent to C$5.9m (£2.1m) or 23 cents a share from those of a year ago, reports John Soganich from Toronto.

Dr. Norman B. Keevil, president, said yesterday that the decline against the first quarter of the previous fiscal year was mainly owing to lower earnings from the 73 per cent-owned copper and gold producing Afton Mines.

Afton suffered from a planned reduction in ore grades from 1.09 per cent copper to 0.89 per cent, and a 38-day shutdown of the smelter for maintenance in November and December.

Dr. Keevil told the annual meeting that the recent declines in copper and precious metals prices could result in lower earnings for the second quarter. The new 80 per cent-owned Highmont copper and molybdenum mine, which has just started production, should help earnings in the second half.

Overall, he said, the current financial year to September 30 should be satisfactory, but whether or not Teck can achieve another record year will depend on metal prices.

Dr. Keevil said that the merger with Afton, reported earlier this week, would see Teck's equity stake converted to a direct working interest. This is important as it will allow Teck to match its share of Afton's pre-tax cash flow against its own current and planned expenditures on new mine development.

The plan, which is to be funded by Metallgesellschaft of West Germany, has been put to representatives of the largest outside shareholder group in Afton, and they have indicated that they favour it.

On the exploration side, Teck has bought an additional 500,000 shares of Coseka Resources, raising its interest in this oil and gas company to 27 per cent.

Coseka is involved in financing negotiations for a 300-well development drilling programme over the next three years in the Douglas Arch area of Colorado and Utah.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims: Armour Trust, Second Alliance Trust, Stoddard.

Finals: British American and General Trust, Glasgow Stockholders Trust.

FUTURE DATES

Interims:	
Hampson Industries	Feb. 12
Press Tools	Feb. 11
Westminster & Country Props.	Feb. 18
Finals:	
Anglo-American Securities	Feb. 11
Broadstone Investment Trust	Feb. 9
Higgs and Hill	Apr. 8
International Invest Trust of Jersey	Feb. 11
Securicor	Feb. 18
Security Services	Feb. 18

CARR BOYD

The latest quarterly report from the Australian exploration company Carr Boyd Minerals reveals that recent tests on the Tennant Creek joint venture in the Northern Territory showed gold grades ranging between 2.87 and 12.4 grammes per tonne, albeit over narrow widths.

Copper grades in the area range between 1.89 per cent and 1.87 per cent, with some cobalt and bismuth also present.

At another of Carr Boyd's gold prospects, near Leonora, Western Australia, Esso Exploration and Production Australia, has negotiated the right to take a 40 per cent interest by completing a minimum of 1,000 metres of drilling.

The companies will start drilling next month to verify old reports of a lode 12 metres wide averaging 6 grammes of gold per tonne.

Oil and Gas Prod. offer oversubscribed

The offer for sale of 13.9m fully paid ordinary shares and 13.9m partly paid ordinary shares in Oil and Gas Production have been heavily oversubscribed.

Firm applications had already been received for 13.65m shares in each category. The remaining fully paid shares attracted 776 applications for 9.8m shares while there were 1,652 applications for 49.7m partly-paid shares. Applications for up to 10,000 fully paid shares will be allotted in full and larger applications will be approximately 45 per cent allotted, with a minimum of 10,000 shares. Applications for up to 2,000 partly-paid shares will be allotted in full and larger applications will be approximately 7.5 per cent filled with a minimum of 2,000 shares.

BIDS AND DEALS

Rival 400p bid for Stag Line

Turnbull Scott, a small UK shipping company, has emerged as the rival bidder for Stag Line, the 164-year-old Tyneside shipping company.

It has offered 400p per share in cash for Stag Line which values the company at £4.9m. This compares with the 355p per share cash offer made by Hunting Gibson, on January 14. Last night the Stag Line shares closed 3p higher at 403p. Prior to the first bid the shares had stood at 270p.

Turnbull Scott, which is being advised by Kleinwort Benson, estimates that the net asset value of Stag Line is 410p per share. This is after taking account of a revaluation of the fleet, the current market value of the quoted investments and the estimated contingent tax.

Stag Line has a fleet of three 26,000 dwt bulk carriers and one small coaster. Turnbull Scott has a fleet of eleven ships which trade as bulk and chemical carriers. With the exception of one ship, the average size of the Turnbull vessels is much smaller than that of Stag Line.

Turnbull Scott says that if the bid succeeds it intends to absorb Stag Line into its shipping operations at Farnborough in Hampshire over a six month period.

Ropner Holdings which owns 29.9 per cent of Stag Line had undertaken to accept the earlier Hunting Gibson offer. Last night, Hunting's advisers, Robert Fleming, said they were studying the new offer.

A substantial proportion of the Stag Line shares are held by various relatives of Mr. Nicholas Robinson, the chairman. After the first bid, the Stag Line board advised shareholders not to do anything because it was aware of the possibility of another offer. Last night Mr. Robinson had no comment to make on the new bid.

Upsurge for Lyle Shipping

Lyle Shipping, the Glasgow-based shipping company, is forecasting sharply higher profits for the year ended December 31, 1980. Group profits before associated companies and taxation are estimated by the directors to be not less than £6.25m, compared with £2.84m the previous year. In the first half of 1980 Lyle made £2.3m, including a £1.1m profit on the sale of a ship.

The profit estimate is contained in the formal offer document for Leadenhall Commodities which Lyle is taking over to help finance the three bulk carriers it is buying. The document also reveals that at January 16, 1981, Lyle and its subsidiaries and the Leadenhall group has outstanding borrowings of £4.1m.

Avana sells Robertson shares but bid still on

BY RAY MAUGHAN

Avana Group took the unusual step yesterday of selling its stake in Robertson Foods for which it is about to launch a full three-for-four all equity bid.

The prospective bidder had already notified the City Panel that it was considering a sale of all or part of its six per cent holding in Robertson and, refusing its own rules, the Panel has given notice that all companies finding itself in similar circumstances should give 24 hours notice of any disposal.

The Cardiff-based cake manufacturer realised £1.07m before dealing expenses yesterday as its holding of 706,000 shares in Robertson was sold through the market at three prices — 150,000 shares at 153p, 300,000 at 152½p and the remaining 255,000 at 153p.

The stake was sold through brokers Grenfell & Colegrave which recently sold 5,000 Robertson shares at 151p on behalf of private clients. Brokers to Avana are Cazenove & Co and Panmure Gordon & Co.

Dr. John Randall, managing director of Avana, stressed yesterday that the group had "stuck rigidly to its avowed policy" of bidding for Robertson in exchange for its own shares. He said that the shares sold by Avana were "floating freely in the market" and was unable to direct the destination of the stake. The proceeds raised by what may be described as a mini rights issue will be used "intelligently."

Robertson shares absorbed the disposal with some ease. Indeed, lightly influenced by passing rumours of a counter bid, the price added 4p yesterday to reach a high of 155p. Avana shares climbed 5p to 210p, just short of the 1980-81 peak, so that each Robertson share is valued at 157½p on the terms of the proposed bid.

OFT report on Enserch bid for Davy out soon

BY HAZEL DUFFY

THE REPORT on the Office of Fair Trading's examination of the proposed offer by the Enserch Corporation for Davy Corporation is expected to be completed very shortly. It is likely to be submitted to Mr. John Biffen, the Secretary of State for Trade, at the end of next week.

Although the formal offer document has not yet been sent out by Enserch, because of legal action by Davy in the U.S., this need not hold up a decision by Mr. Biffen on whether to refer the proposed merger to the Monopolies and Mergers Commission.

Both parties have been called in in person by the OFT since the start of its examination shortly after Enserch announced on December 17 that it proposed to offer £140m plus for Davy. It has also talked to other interested parties and taken the views of Government officials in those departments interested in the future of Davy.

Davy has rejected Enserch's overtures from the outset. In its submissions to the OFT it has emphasised that it is the only British-owned engineering contractor in the top league and voiced its fears of the effects that an Enserch takeover might have on British exports.

Enserch, for its part, has concentrated on the financial benefits that it believes it can bring to Davy and the improved chances that this would mean for Davy in competing for big projects worldwide.

The registration document filed by Enserch with the Securities and Exchange Commission in New York cannot be approved until the litigation action has been cleared. The formal offer document can then be sent to Davy shareholders.

Trust Securities land deal

Trust Securities Holdings, the property development and investment group, has purchased Nearcity, a group of private companies, for an undisclosed sum.

Nearcity owns the W. W. Drinkwater ballast and waste business which in turn owns about 550 acres of land—including 400 acres of freehold development land within four miles of London's Heathrow airport.

The principal site of 247 acres is just north of the M4 motorway at Heathrow where Drinkwater already operates a 25-acre industrial complex. The acquisition also gives Trust Securities about 70 acres of land at Denham, Buckinghamshire, which may be partially developed with housing, and a further 45 acres at Hayes.

Mr. Peter Jones, chief executive of Trust Securities, said last night that the group proposed a campus-type development at the Heathrow site which would provide a mix of office, industrial and warehousing space as well as leisure facilities. The group had already had approaches from several interested funding partners.

Mr. Jones said the ballast and waste business did not form a part of its mainstream activities and it had entered into negotiations with a prospective purchaser. He added: "The overall effect of the deal will be to leave Trust Securities with certain properties, amongst which will be one of the most desirable development sites in the UK."

ASSOCIATES DEAL

Tilney and Co. acting for discretionary clients of an associate of Greenbank Trust sold 124,000 shares at 150⅞p.

EUROPEAN OPTIONS EXCHANGE

Series	Mar. Vol.	Mar. Last	June Vol.	June Last	Sept. Vol.	Sept. Last	Stock
GM C $50	3	¼					$46¼
[illegible]							

TOTAL VOLUME IN CONTRACTS 2635

A=Asked B=Bid C=Call P=Put

SPAIN

February 5	Price %	+ or −
Banco Bilbao	274	
Banco Central	320	
Banco Exterior	252	
Banco Hispano	262	
Banco Ind. Cat.	122	
Banco Madrid	141	
Banco Santander	325	
Banco Urquijo	168	+1
Banco Vizcaya	288	+2
Banco Zaragoza	220	+1
Dragados	117	+2
Espanola Zinc	48	
Fecsa	57.5	−0.5
Gal Preciados	34	+1
Hidrola	65	−0.5
Iberduero	58	
Petroleos	93.7	−1
Petroliber	75	
Sogefisa	102	
Telefonica	61.2	−0.8
Union Elect.	63.6	+0.3

Maxwell plans for BPC under consideration

Proposals put forward by Mr. Robert Maxwell, chairman of Pergamon Press, for the support of the loss-making British Printing Corporation are being considered by National Westminster Bank, BPC's leading banker.

The bank announced yesterday that it is also reviewing BPC's financial position with the assistance of the company's auditors, Coopers and Lybrand. A further statement is expected shortly and the bank, in the meantime, is continuing to extend support on the existing basis.

ACCEPT TARMAC OFFER SAYS WITTER

In the official document concerning the offer by Tarmac for Thomas Witter, the chairman of Witter states that Tarmac has already acquired in the market 85 per cent of Witter's shares and it is clearly not in shareholders' interest to remain as minority holders.

In the circumstances, therefore, the directors and their financial advisers, County Bank, consider that the offers are fair and reasonable and they unanimously recommend all shareholders to accept.

Although audited accounts for year to November 30, 1980, are not yet available, trading in the second half continued to be disappointing. At a price of 54p per share, the company is valued at £4,752,000, which compared with net tangible assets at November 30, 1979 of £6,622,000.

The board is of the opinion that the company's products will strengthen and extend the scope of Tarmac's building products division.

Witter's chairman, Mr. John Jackson, said the company had taken steps last September under the Companies Act to find out the real owners of all shares held under nominee names. But 27.8 per cent of the issued shares, registered in the names of non-UK residents, failed to yield up their owners' identity under this scrutiny.

Tarmac, after buying 4.85m Witter shares (55 per cent) said on January 14 that it would make a full offer, picking up 2.29m more shares later that same day.

CLARK/K SHOES

The offer by C. & J. Clark for the outstanding shares of K Shoes has been accepted in respect of 20,738,708 ordinary and the same number of deferred shares (91.2 per cent of each for which the offer was made) and 327,137 preference (96.3 per cent). The balance of ordinary and deferred will be acquired compulsorily.

The offers became unconditional on January 20 and remain open. Holders of 2,144,061 ordinary and the same number of deferred chose to receive loan notes instead of cash.

ALCAN (UK)

Alcan Aluminium (UK) states that the listings for its debenture and loan stocks were suspended in compliance with Stock Exchange practice.

No proposals are being discussed with regard to these securities, which will remain unaffected whether or not an offer is made by Alcan Aluminium for the outstanding ordinary of Alcan UK.

LONDON TRADED OPTIONS

(Feb. 5 Total contracts 1147)

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	420	22	2	38	—	52	—	408p
BP	460	9	5	22	—	—	—	"
Com. Union	140	18	2	20	—	25	—	152p
Com. Union	160	7	6	10	—	15	15	"
Com. Union	180	1½	1	4	—	—	—	"
Cons. Gold	420	47	25	60	—	75	—	440p
Cons. Gold	460	27	1	40	—	52	—	"
Cons. Gold	500	—	—	25	—	35	10	"
Cons. Gold	538	5	2	—	—	—	—	"
Cons. Gold	550	—	—	10	54	17	—	"
Cons. Gold	588	2	—	5	15	—	—	"
Courtaulds	60	5	—	6	14	9	12	54p
Courtaulds	70	1	25	3	—	—	—	"
GEC	500	120	5	150	—	—	—	616p
GEC	650	17	2	45	12	65	—	"
Grand Met.	140	27½	1	34	—	38	—	166p
Grand Met.	160	10	10	17	—	22	—	"
ICI	300	16	20	30	—	38	2	292p
ICI	330	7½	2	18	—	—	—	"
Marks & Sp.	130	8½	5	15	7	20	—	122p
Totals			114		102		39	
		February		May		August		
Imperial Gp.	70	11	5	11	—	14	—	80p
Imperial Gp.	80	3	—	5	21	6½	—	"
Imperial Gp.	90	½	—	2½	10	—	—	"
Lasmo	700	6	—	45	2	74	—	668p
Lasmo	750	2½	—	28	4	55	—	"
Lasmo	800	1	—	16	10	38	—	"
Lonrho	90	—	—	17	32	20	—	105p
Lonrho	94	12	121	—	—	—	—	"
Lonrho	100	—	—	10½	90	14½	1	"
Lonrho	104	3	192	—	—	—	—	"
Lonrho	110	—	—	5½	20	9½	16	"
Lonrho	114	½	60	—	—	—	—	"
Lonrho	120	¼	—	2½	100	4½	10	"
Racal Elec.	280	49	—	65	1	74	—	326p
Racal Elec.	300	29	79	47	—	59	—	"
Racal Elec.	330	8	10	29	94	41	—	"
Racal Elec.	360	1½	11	17	—	28	1	"
RTZ	454	1	—	9	1	—	—	378p
RTZ	494	½	1	5	—	—	—	"
Totals			479		385		28	

Aaronson Bros. profits halved

RISING COSTS and doubled interest charges have cut pre-tax profits of Aaronson Bros., veneer and laminate manufacturer, by more than £2m in the year to September 30, 1980, despite a 17 per cent increase in turnover.

The surplus fell from £4.01m to £1.96m, with only £535,000 coming in the second half against £2.01m.

The directors say the virtual completion of the capital expenditure programme — costing £4.8m in the year and reflected in interest charges of £1.48m (£0.74m) — has provided the group with production facilities of unrivalled efficiency and cost effectiveness.

They are thus confident of its ability to perform well in the future and take full advantage of improvements in economic conditions when they occur.

The dividend is held at 4.2p with a final of 3p, and absorbs £1.11m.

Operating profits were adversely affected by the higher costs of energy, oil-based materials and general overheads, and by the impact of a strong pound on export margins, the directors state.

Turnover rose from £47m to £55.43m, including export sales 37 per cent ahead at £11.12m (£7.95m). The group increased its share of the home market, say the directors, and has strengthened its position since the year end by the acquisition of several companies in the distribution field.

Earnings per 10p share are shown as 3.43p (11.26p) basic and 3.62p (10.96p) fully diluted after tax of £674,000 (£705,000) and minorities of £248,000 (£192,000).

There are extraordinary debits of £1.31m (£286,000), comprising reorganisation costs of £900,000 and goodwill written off of £411,000, and after dividends totalling £1.24m (same) there is a net loss of £1.52m (£1.58m profit).

	1979-80 £000	1978-79 £000
Turnover	55,433	48,599
Exports	11,124	7,948
Trading profit	3,428	4,882
Interest	1,477	735
Associates	12	63
Profit before tax	1,961	4,010
Tax	624	705
Minorities	248	192
Extraordinary debits	1,311	286
Attributable loss	272	2,827†
Preference dividend	130	130
Ordinary dividend	1,114	1,114
Retained loss	1,516	1,583

† Profit.

● comment

So much for Aaronson's recent growth record. After a disappointing first half the group has now turned in even worse preliminary figures. Pre-tax margins have been slashed from 8.5 to 3.5 per cent in the last 12 months, interest payments have doubled and eaten up 43 per cent of trading profits, net borrowings have shot up from £6.7m a year ago to around £11.5m currently and this means that capital gearing is now 66 per cent. Competition from Continental suppliers of chipboard and laminated products has been severe and it shows no sign of abating with the pound at current levels. Still, this is one company making big plans for the "upturn." Chipboard capacity has been increased 35 per cent after capital expenditure of £4.8m last year and by cutting its margins Aaronson is managing to expand its market share—the most striking example of this is in exports. Nevertheless, the shares, at 55p, down 1p, hardly warrant the fully taxed p/e of 25, even on hopes for recovery by the end of this year. The first half of this year promises to be poor, producing around £¾m against £1.4m last time. At year end the company would be doing well if it made £3m. The maintained dividend produces a yield of 11.3 per cent, which is not bad. Had it not been maintained, though, Aaronson might have started to look vulnerable.

ML Holdings rises but pays same-again interim

Pre-tax profits of M.L. Holdings, the Slough-based manufacturing engineer, improved from £374,378 to £442,247 in the half year to September 30, 1980, on sales over £3.5m higher at £12.4m.

The interim dividend is a same-again 2p net. Last year a total of 7p was paid from taxable profits of £1.03m.

Mr. L. R. Price, the chairman, says the current defence business has been satisfactory but the future overall outlook depends on the level of defence spending in the group's home and export markets.

He says the signalling systems business has been adversely affected by the home market economic situation although it is still expected to achieve its 1980/81 targets.

The foundry division has also been affected by the economic situation, with an unsatisfactory home market, but exports of piano frames are increasing.

Mr. Price points out that the long-term nature of many contracts means that profits for the half year are not necessarily proportionate to the whole year's results.

Tax for the first half took £229,968 (£194,676) and stated earnings per 25p share were up from an adjusted 6.03p to 7.05p.

TANKS CONS.

Tanks Consolidated Investments purchased a further 23,000 9 per cent cumulative redeemable preference shares for redemption, during the period November 18 and December 23, 1980, leaving 1,548,342 shares in issue.

IDC slips £0.21m at year end but pays more

AS EXPECTED, profits of the IDC Group slipped in the 12 months to end-October, 1980, the pre-tax figure coming through at £1.04m, compared with £1.25m.

Sales of the group, which designs and constructs industrial and commercial buildings, were marginally higher at £45.24m, against £44.45m.

The total dividend is effectively increased from 4.6p to 5.06p net with a final of 3.85p.

There was a tax charge of £562,420 (£2.1m credit) in the 12 months and the net balance showed a drop from £3.36m to £475,860.

Stated earnings per 20p share were 7.6p (60.26p and excluding stock relief 9.5p).

The directors point out that comparative figures reflect a transfer in excess of £2.8m that was made to the profit and loss account due to the write-back of stock relief.

Local authority housing projects that caused concern and comment at the interim stage have been completed, with the exception of two which should be finally handed over within the next two months. The provisions made ensure that the group's profits will not be affected further, the directors add.

The current year has started well, with the workload based on orders confirmed over the past 12 months. The present level of enquiries and potential workload, however, is being affected by the recession.

Companies and Markets — CURRENCIES, MONEY and GOLD

THE POUND SPOT AND FORWARD

[illegible]

THE DOLLAR SPOT AND FORWARD

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

Dollar strong

Interest rates were the major factor influencing the foreign exchange market yesterday. There was speculation that the German Bundesbank was about to raise domestic interest rates at the same time that the Bank of England was to announce a reduction in Minimum Lending Rate. Both predictions proved unfounded however, and this led to a weakening of the D-mark, while sterling tended to improve.

Dollar trading was nervous ahead of President Reagan's televised address on economic matters, but the U.S. currency was helped by news that German central bank credit policies were unchanged, plus comments by the U.S. Federal Reserve Board chairman.

Sterling gained ground against Continental currencies following the announcements on interest rates from London and Frankfurt.

DOLLAR — trade-weighted index (Bank of England) rose to 98.9 from 98.6, helped by the statement on interest rates and economic policy by Mr. Paul Volcker, chairman of the Federal Reserve Board, and European interest rate factors. It improved to DM 2.1460 from DM 2.1160 against the D-mark, and to SwFr 1.9430 from SwFr 1.9200 in terms of the Swiss franc.

STERLING — trade-weighted index (Bank of England) unchanged at 104.1, after opening at 103.5, and rising to 104.2 at noon. The pound began at $2.3350-2.3360, the lowest level of the day, and rose sharply to $2.3565-2.3575 before the MLR announcement, touching a peak of $2.3610-2.3625 shortly after the news from the Bank of England. The strength of the dollar pushed sterling down to $2.3400-2.3410 at the close, a fall of 1.7 cents on the day. On the other hand the pound rose to DM 5.0250 from DM 4.9900 against the D-mark.

D-MARK — Remaining weak near the bottom of the European Monetary System, reflecting Germany's poor balance of payments position and slower than expected economic growth rate. The recent rise in the U.S. dollar has prompted large intervention by the Bundesbank in the foreign exchange market, while tension in Poland remains a market factor—The D-mark weakened against the French franc, Dutch guilder, Belgian franc and Italian lira at the Frankfurt fixing, but rose against the dollar and sterling. In later trading the U.S. currency the pound rose sharply, but earlier in the day the dollar fell to DM 2.1217 from DM 2.1318 at the fixing, and sterling to DM 5.0010 from DM 5.0130. The Bundesbank intervened to sell $16.95m when the dollar was fixed, and may have been active in a small way on the open market. Unchanged interest rates following the Bundesbank council meeting boosted the dollar and pound, while the latter was also helped by news that Bank of England MLR remains at 14 per cent.

BELGIAN FRANC — Very weak within EMS, leading to an upward trend in interest rates, and Government's austerity measures causing considerable industrial unrest. On the other hand many of Belgium's severe economic problems are shared by other European countries and this has helped avoid the often rumoured devaluation of the franc—The franc gained ground against most major currencies at the Brussels fixing, as the dollar fell to BFr 34.00 from BFr 34.0975 and sterling to BFr 79.9050 from BFr 80.2450. Within the EMS the D-mark eased to BFr 16.0350 from BFr 16.05.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	39.7897	41.6654	+4.71	+1.00	±1.53
Danish Krone ...	7.72336	7.97457	+3.25	−0.46	±1.64
German D-Mark	2.48208	2.59875	+4.70	+0.99	±1.125
French Franc ...	5.84700	5.98902	+2.43	−1.28	±1.3557
Dutch Guilder ...	2.74362	2.81739	+2.69	−1.02	±1.512
Irish Punt ...	0.668201	0.696806	+4.28	+0.57	±1.668
Italian Lira ...	1157.79	1233.11	+6.51	+2.85	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	11.57	4.550	5.440	2379.	2.803	80.50
U.S. Dollar	4.943	1.944	2.324	1016.	1.198	34.39
Deutschemark	2.302	0.905	1.083	473.4	0.558	16.02
Japanese Yen 1,000	24.36	9.579	11.45	5006.	5.901	169.5
French Franc 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING (11.00 a.m. FEBRUARY 5)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 1/8	offer 17 1/4	bid 16 9/16	offer 16 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

[illegible]

INTERNATIONAL MONEY MARKET

Belgian rates firm

The Belgian National Bank announced a further rise in short term Treasury bills yesterday, following a similar move on Wednesday. Yesterday's adjustment was the fifth this year, the first three all being downward movements. One-month bills now stand at 12 per cent, up from 11.85 per cent, while two- and three-month bills were left at 12 per cent and 12.25 per cent respectively, having been increased by 0.15 per cent on Wednesday. Recent weakness of the Belgian franc within the European Monetary System was seen as the main factor behind the rise, with the Belgian currency trading close to its lowest permitted level in terms of the French franc. Previous upward movements have reflected the strength of the D-mark, but the latter's recent weakness has helped to relieve some of the downward pressure on the Belgian unit.

West Germany's key lending rates were left unchanged after yesterday's meeting of the Bundesbank Central Council. This was in line with expectations, but a firmer trend in domestic money rates has given rise to speculation that there may be some increase in the discount rate and Lombard rate at the next meeting on February 19. Such a move would help prop up the D-mark, which has been very weak recently both within the EMS and against the dollar and sterling. On the other hand some sectors of the market argue that a rise in interest rates would hinder any progress made towards stimulating the economy. In the money market call money was quoted at 8.05 per cent against 9.15 per cent on Wednesday, while longer term rates remained firm.

GOLD

Late fall

Gold fell $14 to $490-493 in the London bullion market yesterday, as early buying in Europe was reversed when the New York market opened. The metal began trading in London at $493-496 and was fixed at $497.00 in the morning. It touched a peak of $503-506, but then declined to a fixing level of $498.50 in the afternoon, and finished around the lowest level of the day.

In Paris the 12½ kilo gold bar was fixed at FFr 87,450 per kilo ($556.35 per ounce) in the afternoon, compared with FFr 86,950 ($551.64) in the morning, and FFr 86,500 ($548.95) Wednesday afternoon.

	Feb. 5	Feb. 4
Gold Bullion (fine ounce)		
Close	$490-493 (£209½-210½)	$504-507 (£213¼-215)
Opening	$493-496	$503-506
Morning fixing	$497	$504.25
Afternoon fixing	$498.50	$505
Gold Coins		
Krugerrand	[illegible]	[illegible]
1/2 Krugerrand	[illegible]	[illegible]
1/4 Krugerrand	[illegible]	[illegible]
1/10 Krugerrand	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
King Sovereigns	[illegible]	[illegible]
Victoria Sovs.	[illegible]	[illegible]
French 20s	[illegible]	[illegible]
50 pesos Mexico	[illegible]	[illegible]
100 Cor. Austria	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]

UK MONEY MARKET

Adequate supply

Bank of England Minimum Lending Rate 14 per cent (from November 24, 1980)

Speculation that MLR was to be reduced yesterday ended at 12.30 pm in the absence of any announcement by the Bank of England. Consequently interest rates, after an easier start, reacted with a slightly firmer trend. Three-month eligible bank bills were quoted at 12¾ per cent after 12½ per cent on Wednesday, and one-month sterling CDs finished at 14⅛ per cent against 14 per cent.

In the money market day-to-day credit was in adequate supply, and there was no intervention by the authorities. The market was faced with a small number of commercial bills maturing in official hands, but this was countered by banks' balances brought forward a small amount above target. Discount houses were paying 13⅞ per cent for secured call loans at the start, with later balances taken down to 12½ per cent.

In the interbank market overnight loans opened at 14-14¼ per cent and eased to 13¾-14 per cent, where they stayed for most of the morning. During the afternoon rates fell away to finish at 11-11¼ per cent. Period rates were slightly firmer after MLR was left at 14 per cent.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, February 4, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

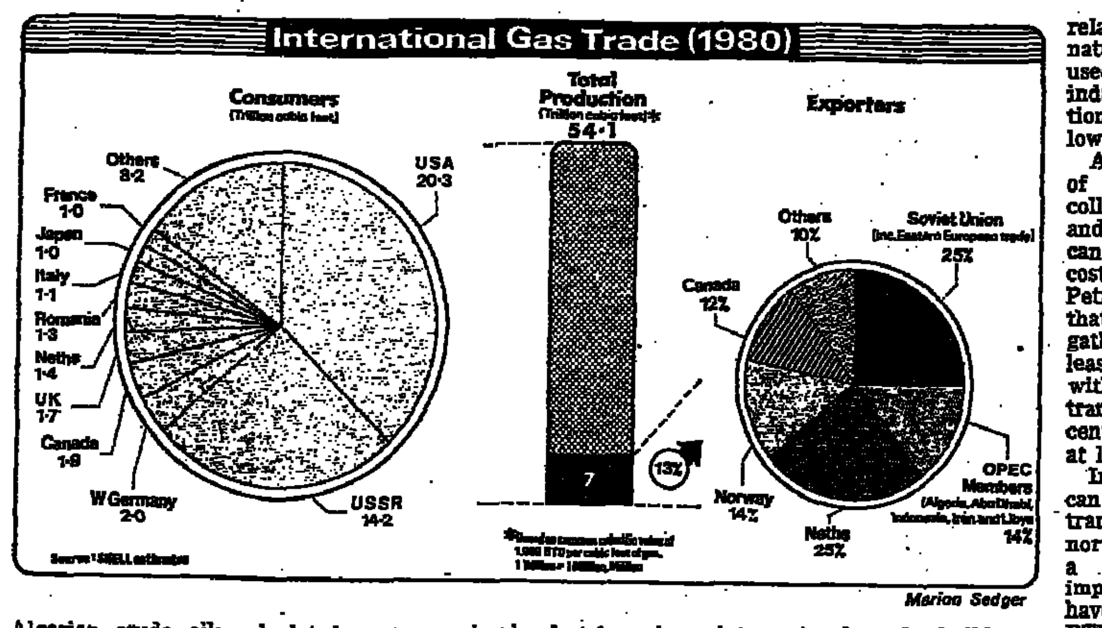
COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.00	Greenland	Danish Krone	6.511	Papua N.G.	Kina	0.651
Albania	Lek	4.2948	Grenada	E. Caribbean $	2.7025	Paraguay	Guarani	137.30
Algeria	Dinar	3.8535	Guadaloupe	Local Franc	4.89	Peoples D. Repub. of Yemen	S. Yemen Dinar	0.3415
Andorra	French Franc	4.89	Guam	U.S. $	1.00	Peru	Sol	350.00
	Spanish Peseta	83.875	Guatemala	Quetzal	1.00	Philippines	Ph. Peso	7.65
Angola	Kwanza	27.627	Guinea Bissau	Peso	35.4106	Pitcairn Islands	NZ $	1.0562
Antigua	E. Caribbean $	2.7025	Guinea Republic	Syli	19.8664	[illegible]	[illegible]	[illegible]
Argentina	Argentine Peso	1940.00	Guyana	Guyanese $	2.551	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate. (1) Sudan—Official rate for specified exports and imports. (2)—Sudan—Official rate for all transactions except specified exports and imports. (3) Egypt—A different rate applies to certain transactions with non-IMF countries. (4) From January 1, 1981, Iceland introduced a new crown equivalent to 100 units of old currency.

Energy Review: International trade in gas

By Ray Dafter, Energy Editor

Price tangle starts to clear



Marion Sedger

SLOWLY, THE varied strands of international gas pricing are being untangled.

After nine months of protracted, sometimes fractious negotiations U.S. and Algerian energy officials are thought to be close to a compromise pricing agreement for supplies of liquefied natural gas (LNG).

American importers of the gas are expected to pay an FOB price around $4-$4.50 per million British Thermal Units (BTU), about double the rate being paid when Algeria cut its LNG supplies to the U.S. last spring. Sonatrach, the Algerian state oil and gas company, had interrupted supplies to strengthen its negotiating position. It was seeking a little over $6 per million BTU and, in truth, would now like a rate nearer $7. That would put the value of gas on a par with the thermal value of Algeria's Saharan crude oil which now costs $40 a barrel.

There has been a similar wrangle between Algeria and French gas interests. Again Sonatrach supplies were suspended. But pending a formal agreement Gaz de France has been receiving for some months limited shipments under an odd pricing arrangement. The French company is believed to be paying around $3.50 FOB while Sonatrach salves its conscience, and aspirations by sending in bills for a much higher figure.

Such is the sensitivity of the international gas market that U.S. and French buyers involved in these major deals have been keeping a close watch on British Gas Corporation's import plans.

When, late last year, British Gas agreed to pay some $4.50-$5 a million BTU for delivered supplies of Algerian LNG, French energy officials registered a protest.

But the British deal was in a totally different league to those at stake in the U.S. and France. The amounts of gas involved are tiny. The LNG imports—100m cubic feet a day—are used by British Gas to top up its stand-by reserves which are drawn down at times of peak demand.

Under a previous 15-year-old contract British Gas had been buying small quantities of Algerian LNG at about $1 to $1.25 a million BTU for most of the late 1970s. Algerian negotiators told British Gas that if the deal was to be extended, the price would have to be in line with the rate for Algerian crude oil: calculated on an energy content basis, some $7 a million BTU. In the end British Gas fixed a price lower than the equivalent cost of fuel oil.

Much more significantly, British Gas has offered its highest ever North Sea price in an attempt to capture supplies from two Norwegian fields—Statfjord and Heimdal. The Corporation bid $3.75 (excluding transport costs) for Statfjord gas and a delivered price of $4.40-$5 for Heimdal gas.

A Continental consortium—Gas Unie of the Netherlands, Distrigaz of Belgium, Gaz de France, and Ruhrgas of West Germany—submitted comparable counter bids. In view of transport costs through a new Norwegian pipeline system, the group will probably have to pay around $5.50 a million BTU at the West German terminal in Emden. The cost to French interests might be nearer $6.

The Continental group is expected to win the race for these substantial supplies of new Norwegian gas.

All of these pricing negotiations illustrate how gas—like oil and other fuels—is becoming increasingly expensive. And yet the deals also confound the view (sometimes expressed by Middle East and African producers) that there is an international price for natural gas.

The very nature of gas—the way it is produced, marketed, transported and used—works against the formulation of a standard reference price, however much the gas-producing members of OPEC would like to see this happen. Led by Algeria they have been the ones pressing hardest for prices at least equivalent in thermal values to those of crude oil. At today's oil prices that would put the rate for gas $6 or $7 per million BTU, even more in some cases. Apart from Algeria, OPEC members have not yet made it clear whether they are seeking parity with crude oil on an FOB or delivered basis. In view of the substantially higher costs of transporting gas compared with oil, the uncertainty has considerable relevance to the pricing question.

Natural gas may be an important provider of energy, accounting for about one-fifth of the world's fuel and power supplies, but most of this gas is consumed in the country of production making it largely the subject of domestic pricing policies.

According to Shell International Gas world gas consumption last year was some 54 trillion (million, million) cubic feet of which only 13 per cent (the equivalent of about 3.3m barrels a day of oil) was traded internationally. OPEC countries accounted for just 14 per cent of the 7 trillion cubic feet of internationally-traded gas. Norway was just as big an influence on the international scene although the leading exporters were the Netherlands and the Soviet Union.

The positions will change as international trade builds up over the coming decade. Shell reckons that by 1990 some 15 or 16 trillion cubic feet of gas could be exported (22 per cent of the then world gas consumption). Norway and the Netherlands may lose some of their influence in overall percentage terms. If the proposed ambitious Siberia - Western Europe pipeline project goes ahead (and the U.S. for one has expressed its concern about Europe's dependence on Soviet gas) then Russia could continue to hold 25 per cent of the international market.

OPEC members can expect to become more important on the international gas scene. By 1990 they could account for about one third of the world's exported gas. But even then their pricing influence will be nothing like that attained in the oil market.

Exporters will also find it hard to escape from the fact that gas is used for a variety of purposes in different countries which again has a bearing on the pricing structure. In the UK, for instance, natural gas is used mainly in the premium fuel sectors: in domestic heating, in offices and in specialised manufacturing processes requiring a clean, flexible high quality fuel. Here the main competitor of gas is refined gas oil, a product more highly priced than crude oil. In contrast, West Germany has relatively little premium use for natural gas. Most of the fuel is used in power stations and industry where it is in competition with fuel oil, a product of lower value than crude.

Account must also be taken of the high costs involved in collecting, processing, storing and distributing gas. Exporters can legitimately point to their costs. Recent estimates in Petroleum Economist suggest that Algeria's production and gathering costs amount to at least 25 cents a million BTU, with pipeline operations and transport adding a further 25 cents, and liquefaction taking at least another 80 cents.

Importers, on the other hand, can point to their expense: LNG transport from North Africa to northern Europe can cost $1 a million BTU while U.S. importers of Algerian gas might have to pay nearer $2 a million BTU to cover the cost of LNG shipping and regasification.

There is no such thing as an international spot market for gas. The problems and high costs involved in moving gas over long distances necessitates the operation of tailor-made export routes. The dedicated facilities result from joint action between buyer and seller with most export contracts fixed on a long-term basis — probably over a 15 to 20 year period. With large pipelines and LNG projects typically costing billions of pounds each to construct, it is hard to see any alternative gas marketing system.

So prices will continue to be negotiated for each specific route. The trump cards are held by both exporter and importer. The exporter can, for instance, suspend shipments in order to try to force the importer to pay a much higher price. On the other hand if an agreement is unobtainable the exporter can suffer a loss of income because there is no practical means of supplying other customers overnight.

This was why the tactic adopted by Algeria in its negotiations with French and American customers was only partly successful. Prices on these routes will go up, but on nothing like the scale the Algerians were originally seeking.

Take the case of the U.S. Algeria was demanding a little over $6 a million BTU on a free on board (FOB) basis. Transport and distribution charges would have taken the delivered price of the gas to more than $8 a million BTU. It can be argued that the U.S. could afford even this high price. Nearly all of America's gas is produced internally, at an average regulated price of less than $2 a million BTU. Algeria's imports—even at a delivered price of $8—would have had only a small impact on the average price in the U.S.

Such an argument cannot carry much conviction. First, the importing companies would find themselves competitively out of step with other U.S. suppliers. Second, the price of gas would have been substantially higher than the cost of competing fuels, in the U.S. case a mixture of oil and gas oil. Third, the U.S. is able to buy gas more cheaply from two nearer exporters — Mexico to the south and Canada in the north.

Furthermore, the whole energy scene in the U.S. is gradually changing. The country is becoming more efficient in the way it uses gas and other fuels although much of the restrained consumption is a direct result of the economic recession. Oil companies are also finding valuable new reserves of gas—the result of a record exploration programme. Thus the U.S. was well placed to resist Algeria's initial demands.

Japan is less favourably placed. Heavily dependent on imported fuels Japan has had to accept the higher prices quoted by exporters. Consequently Japan has been paying prices comparable to those for crude oil throughout 1980 and in same instances in previous years as well. At first glance a crude oil related price seems excessive in Japan's case as more than 60 per cent of the imported gas is fed into power stations where normally fuel oil would be the competitive fuel.

However, Japan's tough environmental regulations complicate the pricing equation. Power stations could not burn heavy fuel oil and meet anti-pollution standards. So Japan pays a premium for the low-sulphur, clean properties of natural gas.

Andrew Fisher considers a major omission from the Companies Bill

Finding the hidden buyer


Gold Fields warns on creeping takeover

Hongkong group buys stake in Renwick

Malaysians hold 17.5% of Dunlop

Panel probes into nominee holdings at Bond Street

WONDERING who its major shareholders are is the last problem a company wants to be faced with in these harrowing economic times. Most do not have to, but unidentified investors have waded heavily into the shares of several quoted companies in the past year or so, unsettling directors and stimulating fears of hidden predators.

It was expected that the Government would take action in the new Companies' Bill which has now started rolling through Parliament. Just how the law could tackle the problem is unclear. The Labour Opposition is likely, however, to ask why there are no plans to tighten the rules on disclosure of share purchases. The basic purpose of the Bill is to enact the Fourth EEC Directive on company accounts.

The two most notorious cases of secret build-ups of large shareholdings last year affected Consolidated Gold Fields and Dunlop Holdings. In both companies, foreign-owned stakes were accumulated through the cloaking of nominee holdings, thereby circumventing UK company law and prompting official consideration of ways to close the loopholes.

Eventually, once the Department of Trade had started investigating, the owners of the clandestine shareholdings came out into the open. The department's report into the Consolidated Gold Fields affair, where the share invader turned out to be De Beers Consolidated Mines of South Africa provided strong cause for official concern.

Veiled purchases

It seems likely that the probe into the Dunlop shareholdings—now seen to be Malaysian—will reinforce this, though the report has yet to be published. The tyre and rubber group is none too happy about the situation, which has diverted management attention from its pressing financial problems.

Before Exchange Controls were lifted towards the end of 1979, such veiled purchases from overseas would not have been possible. "The Bank of England was the best monitoring device we had," said Mr. Roy Marsh, a director of Dunlop which now finds that Mr. Ghafar Baba, a Malaysian politician and businessman, controls 17.5 per cent of its shares.

Other, smaller, companies have also become worried about significant share purchases by people they cannot identify. The most curious of these concerns Renwick Group, the motor and fuels company where a mystery Hong Kong-based company called Kangra International recently built up a 27.5 per cent stake.

An even odder aspect of the situation was the purchase, through the same small London stockbroking firm of A. J. Bekhor, of 22.5 per cent of Renwick's shares by investors sheltering behind the nominee name of Uto Bank of Zurich. The man behind Kangra turned out to be a South African, Mr. Graham Beck, owner of coal mines and with interests in department stores and transport.

Kangra ended up with half of the Renwick shares when it bought the shares held by Uto. Both Renwick and the Takeover Panel seem satisfied that there was no collusion or acting in concert, despite the use of the same brokerage firm. Even so, Renwick had been in the dark for several weeks before the truth came out.

Another company which became frustrated by the existence of unknown shareholders was Bond Street Fabrics, the Leicester knitted fabric company. Here, however, the problem was on a smaller scale—4.4 per cent of the shares could not be identified—and the Department of Trade has taken the highly unusual step of disenfranchising the shares in question.

Clearly, the difficulties are most acute when the secret buying is carried out by or for foreigners. Another snag is the ability of investors or companies to hide from the law by acting together, something which is far less easy in the U.S. for instance. But if so-called "concert parties" are to be brought within the law, how should they be defined—by intention, when set up, or by deed, when the actual share buying occurs?

At present, anyone whose shareholdings go above 5 per cent must say so within five days. Before 1976, the threshold was a more generous 10 per cent and as much as 14 days was allowed.

Although the need for further changes had slowly become apparent, it was the activities of De Beers which really set the ball rolling. The South African company gradually built up an 11 per cent holding in Consolidated Gold Fields, which was uneasily aware that something was afoot, but quite unable to point its finger at anyone.

De Beers finally revealed itself dramatically in February last year when it pounced on a further 14 per cent of the shares in a lightning "dawn raid," a market practice now outlawed by the City. If the law is toughened, therefore, De Beers will have provided a major justification for two key changes in the way major shareholdings can be picked up.

The two inspectors appointed by the Department of Trade to delve into the tortuous route by which De Beers built up its stake came to a firm conclusion about the group's motives. "We are satisfied," they asserted, "that De Beers formulated its scheme with the express intention of avoiding the disclosure provisions of the Companies Acts."

One of the various associate companies involved in the purchases actually broke through the legal 5 per cent level for a short time late in 1979. This led the inspectors to recommend that the department consider whether De Beers or anyone else had broken the law. In the end, it was decided not to prosecute. But the Government said, at the same time, that it would look closely at how the law could be strengthened.

The Labour Opposition tried to have something done about the disclosure provisions in last year's Companies Act. But the Government was reluctant to add more clauses to an already overweight piece of legislation which, as well as implementing an earlier EEC directive, also covered company loans to directors and the thorny question of insider trading.

This time it was clearly under more pressure. After the report on Consolidated Gold Fields, it sent out a consultative document on disclosure and asked all interested parties, such as the Stock Exchange, the Council for the Securities Industry, and legal and accounting bodies for their comments.

Overwhelmingly, the view was that something should be done. Exactly what was a matter for debate, though there was broad unanimity on the desired outlines of new legislation. Life should, it was agreed, be made harder for "concert parties." And companies themselves should have recourse to more powers enabling them to find out just who was lurking behind nominee names who had put together sizeable shareholdings.

A possible stiffening of powers was suggested by the department in its consultative document. If a company could not find out who had been buying its shares, the courts or the Secretary of State could, perhaps, let it cancel the shares involved and credit the capital to its reserves.

The Stock Exchange replied that this would be a "draconian" remedy. "We think that it would be preferable to cancel the rights attached to the shares rather than to cancel the shares themselves." This, it argued, could well be an effective sanction, especially against an overseas holder likely to be unmoved by the withholding of dividends.

Again, there was no full agreement on how to establish that a "concert party" had been set up. The Government said that such a joint interest could be defined through the existence of common directorships, the holding of options to buy certain shares, and conditional options to buy into a company holding the desired shares. Others wanted a less sweeping definition.

Nominee names

One peculiarity of the current law is that companies may have no evidence on their share register of the existence of a previously anonymous shareholder if he later identifies himself. This is the odd position in which Dunlop finds itself, having been informed by Mr. Ghafar that his stake has reached 17.5 per cent.

But the company does not know precisely in which nominee names he holds his shares. "It's a thoroughly unsatisfactory position," commented Mr. Roy Hazard, assistant company secretary of Dunlop.

Since the weight of City official and business opinion clearly favours tougher rules, such hidden buying may eventually be made much harder, if not downright impossible. It all depends on whether the Government can find the necessary commitment, and parliamentary time, to take strong action.

Allegheny Ludlum attacks claims by Blue Bell chief

BY IAN HARGREAVES IN NEW YORK

ALLEGHENY LUDLUM, the Pittsburgh industrial group, yesterday attacked as "astounding" and "wholly untrue" claims made by the senior management of Blue Bell, a clothing company for which Allegheny had made a takeover bid.

Mr. Robert Buckley, chairman of Allegheny, stepped into a row which surfaced in some detail at the annual shareholders meeting of Blue Bell a day earlier.

At that meeting, Mr. L. Kinsey Mann, president and chief executive of Blue Bell, emerged on the winning side of a bitter boardroom battle which led to the abolition at the meeting of the posts of chairman and vice-chairman of the company.

That effectively removes from office Mr. Edwin Morris, who at 77 has been chairman of Blue Bell for 15 years, and 73-year-old Mr. Roger LeMatty, the vice-chairman, although both men remain directors of the company.

Allegheny said yesterday that it appeared that Mr. Mann had decided against the $504m offer for Blue Bell from Allegheny and had then worked to defeat the proposal.

At the shareholders meeting, Mr. Mann described as "mere chat" the discussions which had taken place between Allegheny and Bluebell, whose best known product is Wrangler Jeans.

Mr. Buckley's statement provided details of extensive talks between the two companies about the structure of the proposed offer discussions in which Mr. Mann was a participant, it said. "The responses in our offer were directed to Mr. Mann's requests," said Mr. Buckley. He added that the offer was withdrawn because Allegheny did not wish to pursue an unwelcome bid.

Allegheny also announced its year end results yesterday, which produced net income of $29.6m compared with $53.9m in 1979. The drop was entirely accounted for by losses from sales of parts of the company, notably its steel business, which resulted in a fourth quarter charge of $35.5m.

Stated on a continuing operations basis, Allegheny's earnings showed a large improvement, from $10.9m to $16.9m in the fourth quarter and from $46.1m to $66.8m on the year.

On this basis sales increased from $850.3m in 1979 to $525.5m last year. These figures include the results of Wilkinson Match of the UK stated on a 44 per cent equity basis, rather than the 100 per cent ownership which Allegheny acquired late last year. Wilkinson's results will be fully consolidated into the Allegheny statement this year.

Penn bid for GK may be revived

By David Lascelles in New York

PENN CENTRAL, confirmed yesterday that it had approached GK Technologies, the large cable-making and electrical company, with a view to renewing the $660m bid it dropped last November after it transpired that a GK subsidiary had been responsible for the wiring at a Las Vegas hotel where more than 80 people died in a fire.

Penn Central would not say whether the company had taken a new view on the implications of the fire, but confirmed that Penn had never ruled out making a fresh approach to GK if the circumstances were right.

The former bankrupt railroad, which was transformed into an energy, leisure and engineering concern during reorganisation, has strong incentives, for tax reasons, to make large acquisitions over the next few years.

Johns-Manville results down sharply

By Our Financial Staff

THE FALL in earnings at Johns-Manville, the asbestos mining and fibre glass group, was much reduced in the final quarter of last year but the total for 1980 remained sharply lower. Net earnings fell from $4.13 to $2.47 a share, on total net 30 per cent down at $80.6m. Sales were reported to be unchanged at $2.30bn.

In the first nine months, profits had fallen 37 per cent while sales held steady. But in the final period, while sales declined from $618.6m to $597.7m, earnings showed a minor fall from $27.1m to $25.3m.

Wall Street has forecast improved earnings in the current year.

Columbia Pictures growth slows in second quarter

BY OUR FINANCIAL STAFF

PROFIT GROWTH at Columbia Pictures Industries slowed dramatically in the second quarter of its fiscal year, mainly because of difficulties at its amusement games subsidiary and legal expenses in its fight with Mr. Kirk Kerkorian, a major shareholder.

Second quarter profits rose 8 per cent to $9.6m, or 94 cents a share, from $8.9m or 90 cents. Revenues fell 13 per cent to $143.3m from $164.3m.

But net profits for the six months ended December 31 rose 70 per cent to $26.4m or $2.58 a share, from $15.7m or $1.58 a year earlier. Revenues rose 11 per cent to $329.4m from $297m.

Columbia is fighting the efforts of Mr. Kerkorian, who holds 24 per cent of its shares, to take control of the company and merge it with MGM Film in which he holds a 47 per cent stake.

Columbia's games division, D. Gottlieb and Co., had a sharp fall in operating profit in the second quarter because of competition from video games. It also experienced "serious setbacks due to a lack of acceptance" of its coin-operated pinball machines in the market place, Columbia said.

"We are actively recruiting new marketing, product design and engineering management to assist in rebuilding this company's profitability," Columbia added. But the efforts will not produce a quick improvement, it added.

Hiram Walker earnings gain

By Our Financial Staff

HIGHER first quarter profits are announced by Hiram Walker-Consumers Home, the Canadian drinks and gas company which yesterday changed its name to Hiram Walker Resources. Net earnings were C$93.6m or C$1.26 a share, against C$67.5m or 99 cents a share in the same period last year.

Sales rose from C$660.9m to C$807.7m.

Earnings for the current fiscal year, however, are expected to fall short of last year's C$239.5m or C$3.18 a share, according to Mr. William Wilder, president, due to the group's proposed US$600m purchase of oil and gas properties from Davis Oil of Denver and lower earnings from Canadian operations of its Home Oil subsidiary.

● Full year earnings of Abitibi-Price, the Toronto-based newsprint group, have fallen from C$114.1m or C$5.62 a share to C$83.8m or C$3.94 a share on sales down from C$1.47bn to C$1.36bn.

Fourth quarter earnings were down from C$31.6m or C$1.57 a share to C$20.9m or C$1.00 a share. Sales for the period were C$326.9m against C$374m previously.

FT INTERNATIONAL BOND SERVICE

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The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday, February 12. Closing prices on February 5

AMERICAN QUARTERLIES

AMERICAN GENERAL

	1980 $	1979 $
Fourth quarter		
Net profits	52.06m	46.68m
Net per share	2.05	1 79
Year		
Net profits	167.4m	165.5m
Net per share	6.56	6.60

GENERAL PUBLIC UTILITIES

	1980 $	1979 $
Year		
Revenue	1.83bn	1.49bn
Net profits	21m	96m
Net per share	0.34	1.56

GREAT NORTHERN NEKOOSA

	1980 $	1979 $
Fourth quarter		
Revenue	344.9m	309 8m
Net profits	23.9m	24.3m
Net per share	1.48	1.51
Year		
Revenue	1.37bn	1.16bn
Net profits	99.1m	90.3m
Net per share	6.16	5.65

HALLIBURTON

	1980 $	1979 $
Fourth quarter		
Revenue	2.19bn	2.06bn
Net profits	139.9m	97.9m
Net per share	1.19	0.83
Year		
Revenue	8.33bn	7.77bn
Net profits	500.3m	377.4m
Net per share	4.25	3.21

HARSCO

	$	$
Year		
Revenue	1.06bn	946.3m
Net profits	49.7m	52m
Net per share	4.94	5.27

NORTON COMPANY

	1980 $	1979 $
Fourth quarter		
Revenue	328.7m	295m
Net profits	17.56m	13.89m
Net per share	1.05	0.84
Year		
Revenue	1.28bn	1.13bn
Net profits	86.69m	80.22m
Net per share	5.25	4.89

PEABODY INTERNATIONAL

	1981-80 $	1979-80 $
First quarter		
Revenue	105.8m	94.1m
Net profits	1.58m	1.79m
Net per share	0.15	0.17

PRICE COMPANY

	1980 $	1979 $
Year		
Revenue	359.9m	502.5m
Net profits	15.35m	51.86m
Net per share	1.52	5.16

STORAGE TECHNOLOGY

	1980 $	1979 $
Fourth quarter		
Net profits	14m	11.6m
Net per share	0.53	0.48
Year		
Revenue	603.5m	479.5m
Net profits	45.4m	38.7m
Net per share	1.76	1.58

UNC RESOURCES

	1980-81 $	1979-80 $
Revenue	49.1m	71.8m
Net profits	†1.87m	122,000
Net per share	†0.19	0.01
Nine months		
Revenue	205.8m	204.8m
Net profits	9.15m	6.99m
Net per share	†0.18	0.01

†Loss

WILLIAMS COMPANIES

	1980 $	1979 $
Fourth quarter		
Revenue	499m	480.1m
Net profits	31.8m	23.4m
Net per share	1.16	0.86
Year		
Revenue	2.1bn	1.8bn
Net profits	138.7m	69.5m
Net per share	5.07	2.55

INTERNATIONAL CAPITAL MARKETS

New issue flood lowers bond prices

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

AN INCIPIENT rally in the Eurodollar bond market was aborted yesterday as news began to circulate of a flood of new issues in the pipeline.

After starting between ½ and ¾ points higher in the morning, prices flattened out by lunchtime and headed sharply lower in the afternoon to close as much as one point lower in some cases.

Particularly hard hit were issues by Canadian borrowers around which the rumours of new issues were concentrated.

In the event five new issues were formally announced, for Ontario Hydro, Eldorado Nuclear and British Columbia Railways, for Continental Illinois and the Tribune Company, the newspaper concern of Chicago.

Ontario Hydro is raising $100m over ten years with a coupon of 13¼ per cent and issue price of par through Deutsche Bank. Continental Illinois is raising $100m with a coupon of 13½ per cent and issue price of par, but the maturity is only three years. The issue is led by Morgan Stanley.

Wood Gundy is managing both the Eldorado and British Columbia Railways issues. The first is for $50m over five years with a coupon of 13¾ per cent at 99¼, the second for $100m over 10 years with a coupon of 13¼ per cent at par.

The Tribune issue is for $50m through Salomon Brothers. The borrower, whose debt is AA rated in the U.S., is paying a coupon of 14 per cent for five years and issue price is par.

Among other names strongly rumoured in the market was Canadian Imperial Bank of Commerce.

Confounding the market further were rumours that National Bank of Canada was about to launch an issue. It is understood, that the Bank does plan a $50m floating rate note later this month.

Ford Credit Overseas Finance's 16 per cent issue has been raised to $125m because of good market reception.

In Switzerland the latest SwFr 100m issue for the World Bank closed slightly undersubscribed at its coupon level of six per cent. The result was still rather better than bankers had feared given the steep increase in yields that took place during the subscription period as well as Monday's rise in the discount rate.

However, the issue is reported to have been helped by interest from the Middle East in this particular borrower.

Less well received was the Council of Europe's 6¼ per cent issue which was cut to SwFr 60m from SwFr 100m by lead managers Banca de Gottardo.

The coupon on the forthcoming SwFr 100m ten-year issue for Transamerica Corporation was set at 6⅝ per cent with issue price at par by Swiss Bank Corporation. This is ¼ points lower than the current issue for Banque Francaise du Commerce Exterieur and the difference reflects the scarcity value of U.S. corporate names on the Swiss market.

Secondary market trading was mixed yesterday with seasoned issues gaining ¼ points on average. Prices of DM bonds shed ½ points.

The French franc convertible issue for Lafarge-Coppee, which was launched through Credit Commercial de France two weeks ago, was cut in amount yesterday by FFr 35m to FFr 190m. The coupon was raised from 11 per cent to a split coupon of 11¼ per cent for the first five years and 11½ per cent for the remaining five years. The conversion premium was 6.9 per cent on the closing price of the shares on Wednesday evening.

Rumours of a cut had been circulating since last Friday and since then there has been changes in the management group. Three banks, Credit Suisse First Boston, Deutsche Bank and SBC, dropped out while Schroder Wagg joined.

Meanwhile, the Kingdom of Sweden is tapping the Samurai bond market for Y20bn through Nomura Securities. The 12-year issue will bear interest at 8½ per cent, semi-annually, and has been priced at 99½ per cent.

Record year for W. R. Grace

BY PAUL BETTS IN NEW YORK

W. R. GRACE, the diversified U.S. chemicals and energy concern in which the West German Flick group holds a stake of more than 20 per cent, reports record earnings of $283.8m or $6.08 a share and peak revenues of $6.1bn for 1980.

Earnings were up 24 per cent on 1979s $228.8m or $5.01 a share, while revenues were 15 per cent above the previous $4.3bn total.

Moreover, the company said that losses on foreign currency translations and divestments totalled $6.8m compared with gains of $6.1m in 1979.

In the fourth quarter income rose 2 per cent despite a provision of $10.3m after tax for losses expected following Grace's proposed sale of some of its Del Taco Mexican fast food business. With this provision, net income was $67.4m or $1.44 a share, compared with $66m or $1.43 a share in the same period the year before. Excluding the loss provision and certain other non-operating factors, the company said net income in the fourth quarter rose 27 per cent.

Fourth quarter sales were up 15.4 per cent from $1.5bn to $1.7bn.

According to the company, its strong performance last year was the result of improvements in all of the company's main business sectors with the exception of the restaurant group.

Mr. Peter Grace, president, said that the company this year "expects to accomplish our target of growth for even higher sales and earnings, with continued strong contributions from agricultural chemicals and natural resources."

Estel drops plan of new steel plant

By Charles Batchelor in Amsterdam

ESTEL, THE Dutch-German steelmaking group, yesterday announced a major reorganisation of its Dortmund steel works and the final abandonment of a proposed DM 550m ($236m) steel plant.

This is likely to lead to strong protests from the German unions already concerned at developments in Dortmund and fearful that Estel is giving favourable treatment to its Dutch workers.

The plan, which has only been drawn up in outline, will be put to supervisory Boards of the parent company and of its West German subsidiary

It provides for a concentration of steel making activity at Estel Hoesch Werke's Westfalenhuette site in Dortmund and the closure over the next 10 years of the company's Phoenix and Union plants.

The existence of three plants, all in Dortmund, poses considerable transport problems, Estel said.

The oxygen steel plant planned for Dortmund was the largest of the Estel group's investment projects.

Estel said in October that the building of the new plant would be postponed. Its cancelglation would mean the loss of a considerable, though as yet unspecified, number of jobs.

Publishers ahead in final period

BY OUR FINANCIAL STAFF

McGRAW-HILL, the publishing group, increased its final quarter net earnings from $21.9m to $24.8m on sales ahead from $262.7m to $285.7m. Earnings per share were ahead at $1 compared with 88 cents in 1979.

Meanwhile, Washington Post Company, another publishing and newspaper group, recorded an increase in final quarter net profits from $14.7m, or 98 cents a share, to $15.4m, or $1.10. Sales for the period advanced from $173.2m to $185.3m.

For the year, Washington Post, which publishes a newspaper of the same name, saw operating net profits drop from $43m to $34.3m. The company attributed the drop in its gross operating income—from $80.4m to $65.4m—to substantial first year losses on a new magazine, Inside Sports. Depreciation and other costs associated with a satellite printing plant were also contributory factors as was its share of losses in Bear Island Paper Company. Last year there was a $13.5m charge for an accounting change.

Annual per share operating earnings were $2.44 against $2.75 and sales were $659.5m compared with $593.3m.

McGraw-Hill's annual profits came out at $86.4m compared with $76.9m, or $3.48 a share against $3.10. Sales were $1bn, a target set by the group earlier in the year, compared with the $879.9m in 1979.

McGraw said that the first quarter of the current year would be "particularly challenging" because of the poor state of the U.S. economy, but said that it expected higher profits and sales for the year

COPPER SMELTING IN THE U.S.

Anaconda seeks Japan's know-how

BY DAVID LASCELLES IN NEW YORK

THIS WEEK'S announcement by Anaconda, one of the biggest U.S. copper producers, that it will stop selling refined metal under long-term contracts marks the climax of a major drama within the company which highlights several topical industrial themes in the U.S.: the cost of regulation and the Japanese advantage.

Last September Anaconda, which is a subsidiary of Atlantic Richfield (Arco), the large oil company, announced that it was closing its main U.S. smelting and refining operation in Montana. The news caused something of a sensation because even though it was known that the plant was in trouble, the operation was one of the largest of its kind in the U.S.

The reason given by Anaconda was that it could not afford to adapt the smelter to meet state standards on harmful emissions.

As it was, the smelter had been granted special exemption from regulations while Anaconda spent $65m to bring it into compliance with the standards. But despite the installation of a new furnace, the emissions could not be reduced economically to the required level. Anaconda had also commissioned (for a further $15m) a study which showed that it might cost as much as $400m to complete the job.

The decision was taken after ton level lobbying had failed to wring concessions, either in meetings at the state level or by applying pressure through Montana congressmen in Washington.

But there was probably more to the closure than the cost of environmental measures. The plant in question was old (more than 70 years) and located in an area which might have been fine for the economics of mining and transport at the turn of the century, but was ill-suited to Anaconda's current needs.

The United Steelworkers' Union (USW), which represents copper workers, is particularly bitter about the shut-down and maintains that the pollution issue was largely an excuse. A cooler assessment might conclude that the pollution problem was the last straw on an already heavily laden camel's back.

But Mr. James Marvin, Anaconda's president, said last September that the cost of total compliance would be "prohibitive," adding "We see no viable option at this time other than to suspend operations at these two locations." The smelter has a capacity of 17,500 tons a month and the refinery 21,000 tons.

The closure cost 1,500 jobs in an area where there is little other employment. Arco has tried to soften the blow by helping workers find new jobs and providing a $5m community readjustment fund.

Arco charged $54m against its third quarter earnings for the closure. At the time it was not clear what would happen to the copper ore Anaconda continued to mine in Butte, Montana, and at other mines in Utah and Arizona. But there were suspicious that it would be sold to Japan.

This was confirmed in December when Anaconda disclosed that it had contracted to ship the entire output to a consortium of seven Japanese smelters headed by Nippon Mining Company and C. Itoh and Company.

Under a seven-year deal signed on January 1, the amount of copper concentrate shipped to Japan will be 390,000 tons a year, with provision for more later. In addition, the Japanese smelting companies will have the right to buy some of the concentrate outright if they wish.

The effect is to export the smelting and refining jobs from Montana to Japan, creating another variation of the Japanese incursion into the U.S. employment market. The USW, which says this is the biggest such instance to come to its notice, is not surprisingly, is hopping mad.

THE move by Anaconda to contract copper smelting in Japan could signal a general trend in the U.S. copper industry, which is dogged by pollution control laws and outdated equipment

Mr. Marvin's comment on the deal was: "We are optimistic this contract will permit our U.S. mining operations to remain competitive on a worldwide basis. It will also allow us time to find a permanent solution to our smelting and refining needs."

Although Anaconda is basically contracting out the smelting work to Japan, the indications are that the Japanese will exercise their option to buy outright a "significant" portion of the concentrate and market the refined product themselves. Hence Anaconda's decision to withdraw from any long-term commitments to supply copper.

The concentrate will be dried at the mines and then transported by rail to San Diego from where it will be shipped to Japan. Although this route is infinitely longer and more expensive than the trip to the Montana plant, the Japanese will be able to return processed copper to Anaconda at "highly competitive prices."

As with steel, the Japanese have built up a modern and highly efficient copper processing industry for which they scour the world for concentrate. It operates at a fraction of the cost of the U.S. industry.

U.S industry has been quick to make an example of the Anaconda affair to drive home the message that pollution regulation can backfire. And the hope is that the new Reagan Administration, with its pro-business bias, will heed their cry.

BMW to intensify foreign sales push

By Jonathan Carr in Munich

BMW, the West German manufacturer of high performance cars and motor cycles, will intensify its foreign sales efforts this year —not least in Japan—in a bid to maintain the above-average results it achieved in 1980.

Herr Eberhard von Kuenheim, executive board chairman, revealed yesterday that are part of this effort BMW would from April take over Balcom Trading Company, which has acted as importer of BMW products in Japan for 32 years.

The step would help boost sales in Japan—where there are currently about 20,000 BMW cars and 2,000 motor cycles on the road—and would mean that BMW will have its own sales organisation in all key customer countries.

Last year BMW sold 3,200 cars in Japan, representing 7 per cent of total Japanese car imports of 45,000. BMW's sales were up by 15 per cent on 1979. The group also sold 650 motor cycles, a 4 per cent increase on last year.

The announcement was made against the background of a highly successful export performance by BMW in 1980. The increase in exports—of cars by about 15 per cent and of motor-cycles by 4 per cent—helped BMW to compensate for a weakening domestic market.

Overall production and sales rose, all BMW plants worked at full capacity and profits are described as "satisfactory," although it is agreed that they did not match turnover growth. In 1979, the company reported net profits increased to DM 175m ($82.7m) from DM 151m in 1978, and raised its dividend from 18 per cent to 20 per cent.

In detail, group world turnover rose by 9.4 per cent last year to DM 8.1bn ($3.83bn). The parent company, BMW AG, in Munich, registered a turnover increase of 5.2 per cent to DM 6.9bn, based on an 8.9 per cent fall at home and a 20.4 per cent rise abroad.

By volume, BMW sold 339,000 cars — 1.2 per cent more than in 1979—based on a fall of 13.2 per cent at home and an increase of 14.8 per cent abroad. Motor-cycle sales were up by 7 per cent to 29,200.

These figures compare with a fall in total West German car production last year of about 10 per cent to 3.5m, and a drop in exports of some 6 per cent to 1.9m.

Herr von Kuehnheim warned that 1981 would be no easy year for any vehicle manufacturer.

Nonetheless, BMW was confident that its models range was satisfactory, no production cuts or layoffs were planned, and investment would "at least" reach last year's level of DM 740m, which compared with DM 473m in 1979.

Key investment aims were the introduction of new products, modernisation at shop-floor level and enlargement of capacity. BMW was not at present planning to build a new plant

Thyssen earnings lower despite turnover rise

BY ROGER BOYES IN BONN

THYSSEN, West Europe's largest steel concern, has presented a sombre picture of its last business year, despite registering a significant profit and a sharp increase in sales turnover.

Thyssen which has diversified considerably out of crude steel into special steels, trading and capital goods, is riding out the crisis better than any other major producer. Net profits of DM 117m ($55m) were down from DM 167m in 1978-79, on an external sales of DM 27.1bn up from DM 25.3bn in 1978-79, but represented a considerably better performance than other West European steel concerns.

Even the first quarter of the new year, starting on October 1, is proving to be reasonable, though Thyssen executives indicate that the steel division is doing poorly. Capacity use in the crude steel division is running at an average 70 per cent but there seems little doubt that the European Commission's imposition of compulsory production quotas on EEC producers has helped to firm prices.

But Herr Diether Spethmann, Thyssen's chief executive, points to a number of problem areas, most of which will be simmering throughout present year. They are:

● The U.S. anti-dumping case opened against European producers, including Thyssen, seriously hit the group's steel exports to the U.S.

● Thyssen's U.S. subsidiary, Budd, was hit by the recession in the U.S. motor industry, which accounts for about 50 per cent of its turnover. As a result, the U.S. share of total Thyssen sales dropped from 14 per cent to 10 per cent last year. Similarly the drop in Budd's pre-tax profits from DM 112m to DM 10m dealt a blow to the performance of Thyssen's capital goods division.

● The overthrow of the Government in Liberia has cast a shadow over the future of the Bong Mining Company, in which Thyssen has a 21.4 per cent stake. Apart from political complications, the high dependency on oil, especially for the iron ore pelletisers, has led to considerable losses—expected to be some DM 70m for the whole project in Calendar 1980.

● The problem of productivity. Above all Thyssen is concerned about the high absenteeism through sickness — accounting for, on average, of some 9 per cent of the workforce—and the loss of 5.3m man-hours. This contrasts with a sickness rate of about 1 to 2 per cent in comparable Japanese steel concerns. The shortage of skilled and shift workers is causing difficulties in the steel sector.

Dr. Spethmann continues to believe that the essence of the European steel industry's difficulties is the high degree of state subsidy—he estimates that some DM 30bn of subsidies have flown into the coffers of Thyssen's main competitors since 1975. In 1980, the group's principal rivals were subsidised by DM 100 per tonne, be claimed.

The key to Thyssen's recovery hinges on a recovery in the German economy, the maintenance of a strong investment climate, and the gradual dismantling of protectionist or neo-protectionist measures in the main export markets.

GROUP WORLD SALES (DM bn)

	1979-80	1978-79
Steel	8.68	7.83
Special steels	3.03	2.76
Capital goods, manufacturing	8.2	8.41
Trading and services	13.9	13.23
Total sales	33.966	32.234
Intergroup	6.838	6.876
External sales	27.128	25.358

GROUP PRE-TAX PROFITS (DM m)

	1979-80	1978-79
Steel	111.3	167.4
Special steels	119.6	71.8
Capital goods, manufacturing	66.4	102.2
Trading and services	113.0	106.3
Holdings	57.1	71.4
Total	467.4	519.1
After tax	117.3	167.3

BASF unlikely to hold increased dividend rate

BY OUR FINANCIAL STAFF

BASF, the German chemical group, confirmed yesterday that it was unlikely to maintain its dividend for 1980 at DM 8 a share when the payment falls due at the end of April.

For 1979 BASF raised its dividend by a third from DM 6 after a sharp upturn in profits. Earnings for last year have weakened—they were 15 per cent down pre-tax after the first nine months—in the face of slack demand and soft selling prices.

At a press conference in Tokyo, Herr Matthias Seefelder, the chairman, said that the group would suffer a decline in volume sales for 1980. At the parent company level, he added, net profits would fall short of the DM 485m ($229m) returned for 1979.

Group sales for the year would probably rise by 6 to 7 per cent from the DM 25.9bn in 1979, but in terms of quantity, sales would decline. Herr Seefelder said the major reasons for the pessimistic forecast were the rapid rise of raw material costs, which BASF had not yet been able to fully pass on to customers, and declining demand.

West German chemical industry production in 1980 fell by 4 per cent compared with a decline of 6 per cent for BASF. The trend was "expected to continue" for the first six months of this year. Herr Seefelder could not predict what would happen in second-half 1981.

However, capital expenditure will be DM 1.95bn this year, of which more than DM 1bn would be invested outside the parent company. Citing Japan as one of its key markets, Herr Seefelder said BASF planned to invest DM 170m there to expand polystyrene and polyurethane capacity, and to intensify activities in vitamin formulation, animal nutrition and recording tape marketing.

Daimler-Benz reports sales increase

By Our Financial Staff

DAIMLER-BENZ, the West German motor group, has reported increased domestic and export car sales for 1980.

The company said that sales within the Federal Republic had climbed by 2.9 per cent to 241,000 units while foreign sales had totalled 188,000, up by 2.7 per cent.

Overall output of cars rose by 1.6 per cent in 1980 to 429,000 and production is estimated to remain at this level this year. Total sales are therefore expected to remain at the 1980 level as production is linked to sales.

● Ford Motor Company is to spend billions of francs over the next few years to modernise its assembly plant at Genk, Belgium. The company said the Genk facility would be producing the new Toni model, and it hoped it would not have to reduce its work force of 11,600.

Bank Leu plans rights issue

BY OUR FINANCIAL STAFF

BANK LEU, the fifth largest bank in Switzerland, plans a rights issue to raise SwFr35m ($18.1m). This will be the bank's sixth rights offer in two years.

At the net level, profits for 1980 have improved by almost a quarter to SwFr 27m from the SwFr 21.7m returned for 1979. Dividend is to be 10 per cent. For 1979 shareholders received 10 per cent plus a jubilee bonus of 4 per cent.

The rights issue is being made in a number of tranches, involving bearer shares, registered shares and participation certificates. In each case the offer ratio will be one-for-10 at prices ranging from SwFr 1,375 to SwFr 275.

The bank's balance sheet expanded to SwFr 6.43bn last year, compared with SwFr 5.25bn.

● Consolidated sales of the Interfood group in 1980 are expected to reach around SwFr 1.4bn ($730m) compared with SwFr 1.26bn. Business developed favourably in 1980, the company said.

Last September Interfood said that profits would rise more slowly than turnover. Interfood makes chocolates under the Tobler and Suchard labels.

With the acquisition of Andes Candies, Wisconsin, Interfood expanded its industrial activities in the U.S. last year. Turnover of the new U.S. subsidiary was around $23m.

Interfod has also acquired a minority shareholding in the Belgian chocolate producer Chocolaterie Callebaud with sales of around BFr 3bn ($88m) in 1980.

Smit forced to reduce payment

BY CHARLES BATCHELOR IN AMSTERDAM

PROFITS of Smit Internationale, the Dtuch ocean towage and salvage group, fell sharply last year and the company plans to reduce its dividend. Continuing difficulties mean only a modest profit is expected in the current year.

Smit, which claims to have the largest specialised fleet of towing and salvage tugs in the world, reports a fall in net profit to Fl 10.5m ($4.6m) for the year ended last September from Fl 17.4m. Turnover rose 10 per cent to Fl 470m. The company proposes to cut its dividend to Fl 1.30 per share from Fl 2. Profit per share fell to Fl 2.80 from Fl 4.62.

Group operating profit fell to Fl 10m from Fl 25m. The towage and salvage division reported a los of Fl 4m while the offshore division posted a profit of Fl 9m. Harbour, transport and other activities showed a profit of Fl 5m.

A sharp fall in the number of towing contracts in the first half of the year was the main reason for the unexpectedly poor result, the company said.

Fees for the contracts were "low" in relation to investment made by the company.

One of the problems facing the industry as an excess of capacity, particularly of larger tugs. Margins came under pressure from the much higher rates charged for bunkering fuel.

The net profit figure gained from an incidental tax benefit of Fl 5m and Fl 3m of compensation received for losses stemming from a strike in Rotterdam harbour.

Smit foresees little or no improvement in the depressed salvage and towing market while fuel prices continue to rise. Prospects for the harbour and transport division are also "not positive" and the company's push-barge operations are being trimmed.

It is optimistic, however, about its offshore activities. Smit plans to strengthen this operation, which currently accounts for 29 per cent of turnover.

Preussag to lift capital expenditure

By Our Financial Staff

PREUSSAG the West German metals and chemical group, said its capital investments in 1981 would total DM 350m ($165m), about DM 40m up on last year.

The main areas for investment this year are metals, transport and energy. The main emphasis in metals will be on restructuring and environmental improvements at its zinc and lead plants.

Transport investment will focus on extension of tanker capacity, while energy investment will be primarily in increased oil development and coal mine improvements in West Germany.

Girozentrale shows 12% growth in balance sheet

BY PAUL LENDVAI IN VIENNA

BALANCE-SHEET expansion at at Girozentrale, the central institute for the Austrian savings banks, extended to more than 12 per cent in 1980 to a peak Sch 159bn ($10.6bn).

The share of foreign business rose to 30 per cent of the bank's balance-sheet total from the 27 per cent of 1979. Lately, GZ has been pushing hard for new foreign businesses, notably in Eurocurrency markets.

A branch was recently opened in London. It has a staff of 28, and during the last three months GZ has participated in Eurocurrency and UK credit operations involving a total of Sch 1.5bn.

The largest Austrian savings bank, the Zentralsparkasse and Kommerialbank of Vienna has also opened a representative office in London after the success of a similar venture in Milan. Zentralsparkasse estimates that foreign business now accounts for some 20 per cent of its Sch 100bn balance-sheet, against 16 per cent in 1979 and 13 per cent in 1978.

The other major Vienna-based bank, the First Austrian Savings Bank has also raised foreign business—to about 25 per cent of its balance-sheet which last year totalled Sch 71.9bn.

NOTICE TO HOLDERS OF

ITO-YOKADO CO., LTD.

6% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1992
5½% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1993

Pursuant to Section 3.05 of the Company's Indentures dated as of June 15, 1977 and July 1, 1978, respectively, relating to the above-mentioned Debentures, notice is hereby given as follow:

1. On January 20, 1981 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of February 28, 1981 in Japan, at the rate of 1 new share for each 10 shares held.

2. Accordingly, the conversion price at which the above-mentioned Debentures may be converted into shares of Common Stock of the Company will be adjusted effective as of March 1, 1981, Japan Time. The conversion prices in effect before such adjustment are Yen 1,186.2 for the 6% Convertible Debentures Due August 31, 1992 and Yen 1,208.7 for the 5½% Convertible Debentures Due August 31, 1993, and the adjusted conversion prices will be Yen 1,078.4 for the 6% Convertible Debentures Due August 31, 1992 and Yen 1,098.8 for the 5½% Convertible Debentures Due August 31, 1993.

ITO-YOKADO CO., LTD.
By: The Bank of Tokyo Trust Company as Trustee

Dated: February 6, 1981

NOTICE TO HOLDERS OF

ITO-YOKADO CO., LTD.

7.3% CONVERTIBLE BONDS DUE 1990

Pursuant to Clause 7(B) of the Company's Trust Deed dated as of 24th July, 1980 relating to the above-mentioned Bonds, notice is hereby given as follows:

1. On January 20, 1981 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of February 28, 1981 in Japan, at the rate of 1 new share for each 10 shares held.

2. Accordingly, the conversion price at which the above-mentioned Bonds may be converted into shares of Common Stock of the Company will be adjusted effective as of March 1, 1981, Japan Time. The conversion price in effect before such adjustment is Yen 1,276 per share of Common Stock, and the adjusted conversion price will be Yen 1,160 per share of Common Stock.

ITO-YOKADO CO., LTD.
By: The Bank of Tokyo Trust Company as Trustee

Dated: February 6, 1981

U.S. $40,000,000

Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability)

Floating Rate Subordinated Capital Notes Due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 5th February, 1981 to 5th May, 1981 the Notes will carry an Interest Rate of 17⅞% per annum and the Coupon Amount per U.S. $1,000 will be U.S. $43·88.

Credit Suisse First Boston Limited
Agent Bank

U.S. $10,000,000

Floating Rate U.S. Dollar Negotiable Certificates of Deposit, due 9th August, 1984 (Retractable to 9th August, 1982)

THE SAITAMA BANK, LTD.
LONDON

In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from 6th February, 1981 to 6th August, 1981, the Certificates will carry an Interest Rate of 16⅞% per annum. The relative interest payment date will be 6th August, 1981.

Merrill Lynch International Bank Limited
Agent Bank

BORROWER PROFILE

Spain overrides its difficulties

BY FRANCIS GHILES

DESPITE the resignation of Sr. Adolfo Suarez as Prime Minister of Spain last week and forecasts that the country's balance of payments deficit may increase by nearly 30 per cent to $6.5bn this year, the confidence of international bankers in Spain is unshaken. They expect Spanish borrowers to command the same fine borrowing terms in the months to come as previously.

Bankers recognise that the country's economic prospects remain dull. Spain is now entering its fifth year of recession and real growth is expected to be 1.5 per cent, at best, in 1981. Unemployment is also expected to rise above the current level of 1.6m. On the positive side, however, officials hope that inflation will be cut by two points to 13.5 per cent in 1981.

A record balance of payments deficit of just over $5bn is expected to be reported for 1980, but reserves fell by only $758m last year, and were still a healthy $12.3bn at the end of December. The shortfall on the balance of payments was made up for the most part by borrowing abroad, while foreign investment in Spain, which is believed not to have been much higher than $500m in 1980, made a limited contribution.

Many of Spain's attractions to foreign investors—such as its underdeveloped market and cheap overheads—have dwindled. Spanish industry, meanwhile, is having to face up to the prospect of sharp competition from member countries of the European Community once the country's external policies are aligned towards entry and the tariff barriers are lowered. Yet, at the same time, it has become clear that the negotiating process itself will not be an easy one.

Most bankers expect the peseta to continue floating downwards against the main traded currencies this year, and reserves to decline further.

Spain is a paradoxical borrower, in that it obtains fine terms on Eurocredits, but could not depend on obtaining triple A status in the U.S. bond market. The Ministry of Finance in Madrid is currently arranging a $500m eight-year loan for the Kingdom, the first since 1976, which carries a spread of ½ per cent over the London interbank offered rate for the first six years, rising to ⅝ per cent for the last two.

Banks are also being offered the option to lend at ½ per cent over the U.S. prime rate, something which is acceptable only to those banks which have a deposit base in the U.S. These conditions are finer than those of Italy—which, despite having a wider industrial base and being a member of the EEC, has a much larger balance of payments deficit and a much heavier foreign debt.

Given these fine terms, it may seem surprising that no Spanish borrower has ever floated a fixed interest dollar bond, let alone a foreign bond in New York, although a number of state and private companies have arranged bonds denominated in yen, guilders, Deutsche marks and Swiss francs.

There are two reasons for this shyness. First, Spain's adherence to democracy is, by the standards of every other major West European country, a recent phenomenon. It is widely believed in the market that if the Kingdom was to request a rating from the two leading U.S. rating agencies, Moody's and Standard and Poor's, it could not be sure of getting triple A status.

Bankers feel the rating agencies would prefer to wait a little longer before making any decision. For, however successful Spain's transition to a more democratic and open society has been, five years is still a very short time. The agencies tend to value long-term stability.

There may be a further reason why Spain has not often resorted much to the bond market. State entities in particular tend to borrow abroad as a means of adding to their general funds rather than to finance specific projects. Yet funds earmarked for this purpose are not very attractive to bond investors.

In the syndicated credit market, however, Spanish names have long been familiar. Spanish borrowers raised $1.9bn in 1977, $2.4bn in 1978, $4.2bn in 1979 and $5.4bn last year.

They include the state holding company, INI, and many of its subsidiaries, the motorway companies and utilities. To this list can be added Telefonica, the state railways, RENFE and the state oil distribution company, CAMPSA. Some of the utility and motorway companies are private, but obtain state guarantees when they borrow abroad.

The Spanish Parliament, the Cortes, has allowed state borrowers to raise $1bn abroad in 1980. This figure includes the $500m loan currently being arranged for the Kingdom but excludes loans which are no more than state guaranteed. The $500m loan is the first borrowing by the Kingdom itself to have come to the market since the $1bn jumbo arranged four years ago. That loan met with a bad reception despite generous terms for the banks, a development which so enraged the Spanish authorities that, in 1976, they started to repay early, much to the chagrin of some of the banks.

The terms of the current loan have upset many banks, some of whom have refused to participate. Twelve banks, however, have joined the deal as lead managers, and there is no doubt that the Ministry of Finance in Madrid is getting its way, albeit after some arm twisting. Some of these banks are among those who were allowed to start operations in Spain in 1979. They are prepared to offer lending rates to the Kingdom which reflect less their view of the Spanish risk than their desire to book new assets and enhance their position in the country.

This loan for the Kingdom might bring more order to Spanish borrowing which has, traditionally, been characterised by a rush by the State companies to award mandates as soon as their budgets were approved at the end of the year.

A more sophisticated approach to borrowing will be demonstrated next March, when Banco Urquijo completes a short-term $500m standby credit for CAMPSA. This loan, which does not come under the $1bn borrowing ceiling set by the Cortes, is expected to beat a margin of ⅜ of a percentage point over Libor for the first 12 months, and of ½ of a point for the last two. It is designed to help the company smooth out the ups and downs of its cash flow.

Spain's hard currency debt, which reached $19.9bn at the end of September, remains well under control. Of that total $13.2bn has been lent by banks and just under half borrowed by private companies.

SPAIN'S FOREIGN DEBT ($ bn)

	1980†	1979	1978	1977	1976
Public sector					
Kingdom	1.46	1.68	2.28	2.67	1.77
Other	2.23	5.83	4.68	3.62	3.17
Private sector					
State guarantee	1.33	1.31	1.21	1.09	0.92
Other	9.92	7.79	6.54	5.07	4.35
Total	19.95	16.62	14.72	12.95	10.23

† At end of September. Source: Bank of Spain.

Triomf increases trading profit 88%

By Jim Jones in Johannesburg

TRIOMF FERTILIZER, the South African manufacturer of fertilisers and phosphoric acid, increased its consolidated trading profit by 88 per cent to R47.3m ($62.11m) in the year ended December 31, 1980, from R25.1m in 1979. The dividend has been raised to 45 cents from 15 cents. Turnover rose to R431.1m ($566m) from R333.7m, although volume sales have not been disclosed.

Mr. Louis Luyt, the executive chairman, says that domestic consumption of fertiliser showed higher than normal growth. This led to better capacity utilisation at the company's factories. At the same time, difficulties which arose in export markets as American producers switched sales away from the USSR, have diminished.

Triomf has established itself in new export markets and gained in 1980 from improved export selling prices for dry fertiliser and phosphoric acid. Since the year-end, a joint marketing agreement has been reached with Occidental Petroleum. Occidental will gain access to phosphoric acid produced by Triomf's 420,000 tonnes-per-year Richards Bay plant and the companies estimate that they could together supply some 65 per cent of the world market for the material. Triomf's management is confident that the agreement will materially increase the company's exports.

Triomf Fertilizer is 51 per cent owned by Triomf Fertilizer Investment (TFI) and 49 per cent by AECI, South Africa's largest chemicals group, in which ICI of the UK and Anglo American Corporation each have a 40 per cent stake. After a substantially higher tax charge on the operating company, TFI increased earnings per share to 63.21 cents from 43.73 cents in 1979.

Takeda share issue

Takeda Chemical Industries, the pharmaceuticals company, will increase its capital by way of a 15-for-100 scrip issue, and is to raise its dividend for the fiscal year ending March 31 to Y10 per share, from Y7.50 last year, Reuter reports from Tokyo.

Industrial problems hold back earnings at CUB

BY JAMES FORTH IN SYDNEY

INDUSTRIAL PROBLEMS held Carlton and United Breweries to a 2.5 per cent profit gain in the December half-year. But the directors are hopeful that the group will stage a recovery in the current half. The profit for the six months to December was A$12.8m (US$15m) and was earned on turnover up 4.3 per cent to A$358m (US$421m).

The impact of industrial problems in the pre-Christmas period can be gauged from CUB's performance in the September quarter, which brought a 10 per cent rise in profits. The directors said that the group was prevented from maintaining the strength shown early in the financial year by a series of strikes, overtime bans and work limitations in November and December.

January had shown a strong increase in trading which should revive the company's overall thrust to higher profit levels, they added. Results for the full year would also be helped by equity accounting of the recently acquired 33 per cent shareholding in the food group, Henry Jones. The interim dividend is maintained at 6 cents a share.

● Commercial and General Acceptance Limited, the finance company offshoot of the Commercial Banking Company of Sydney, lifted earnings by 27 per cent to A$2.35m (US$2.76m) in the December half-year. Turnover rose by 22 per cent to A$53m.

Net receivables rose by 16 per cent to A$740m with leasing loans up by 20 per cent to A$300m and commercial loans up by 50 per cent to A$110m net. Non-accruable loans were cut from A$73m to A$52m.

Property development loans, which included non-accruable loans, dipped 14 per cent to A$139m. The improved result will boost its parent, CBC, which is due to report its results next week.

Arabian Oil lifts income as OPEC prices go up

BY OUR FINANCIAL STAFF

ARABIAN OIL Company, the Japanese oil company owning oil concessions in Saudi Arabia and Kuwait, has reported a rise of 34.1 per cent in net profits in the year ended December 31, to Y6.57bn ($32.2m) from Y4.9bn the year before.

Sales went up 38.2 per cent to Y714.47bn ($3.5bn) from Y516.68bn.

Arabian Oil officials attributed the growth in earnings mainly to the series of oil price increases by the Organisation of Petroleum Exporting Countries last year.

Per-share net profits in the year were Y131.44, up from Y98.04. The year-end dividend was Y60 up from Y50.

The company said it hoped its profits and sales for 1981 would match those for 1980, although uncertain factors such as oil prices and foreign exchange rates ruled out any definite forecast, Mr. Yoshimisa Ojimi said at a Press conference.

● Tokyo Rope Manufacturing Company said it has taken full control of Firestone Wire and Cable Company of Danville, Kentucky, the wire making division of Firestone Tire and Rubber Company, at a cost of $10m.

The Japanese company said that the name of the company, capitalised at $6m, has been changed to ATR Wire and Cable Company.

Strong growth for Bahrain offshore banking

By Mary Frings in Bahrain

BAHRAIN'S OFFSHORE banking market has grown by nearly 36 per cent in the past year, the Bahrain Monetary Agency has announced. Liabilities totalled U.S.$37.5bn at the end of December, compared with U.S.$27.6bn at year-end 1979.

There was a particularly marked surge in business between November and December when assets rose by more than 7 per cent from U.S.$34.9bn.

The BMA board approved the award of two new banking licences. National Bank of Bahrain was granted a licence to open an offshore banking unit (OBU), and an investment banking licence (IBL) went to the Bahrain Islamic Investment Company, a subsidiary of the Bahrain Islamic Bank.

● Al-Ahli Commercial Bank, the smallest of Bahrain's locally incorporated onshore banks has announced a profit for its second year of BD 1.42m ($3.8m), to show a 59 per cent improvement over 1979.

A significant portion of the income came from earnings on the handling of exempt company share subscriptions, although to a lesser extent than that of 1979, the bank said. Shareholders are to receive an 8 per cent regular dividend, plus an extraordinary dividend of 3 per cent.

Australian Bank licensed

BY OUR SYDNEY CORRESPONDENT

A BANKING license was formally issued yesterday to Australian Bank Ltd making it the first trading bank to begin operations in Australia since 1945. The license was issued after approval was obtained from the Governor-General, Sir Zalman Cowen, giving the bank unconditional authority to carry on banking business in Australia. The Government was first approached last April about the formation of a new bank and yesterday's approval was a formality.

The bank was incorporated last October and intends to establish a merchant bank in which it will own 60 per cent with Paribas, the French group, and S. G. Warburg, the British merchant bank, as substantial shareholders.

Australian Bank expects to open for business in July with offices in Sydney and Melbourne, followed by Perth

Israeli builder optimistic

BY L. DANIEL IN TEL AVIV

SOLEL BONEH, the construction company owned by the Israel Labour Federation, expects its foreign turnover to increase by 37 per cent to $620m this year. Turnover on the local market is forecast at Sh 6.5bn ($812m), or 3 per cent less than in 1979. Despite a decline in local building activity, the company matched in 1980 the 1979 turnover in real terms, helped by a 7 per cent rise to $450m in work abroad which offset a 6 per cent fall in domestic activity.

Its total investment in equipment, new installatons and related industries last year amounted to Sh 350m ($47.5m) of which two-thirds were invested abroad. Its planned investment this year is Sh 1bn ($125m), three-quarters of this abroad. To maintain the level of its domestic building activity, the company will turn increasingly to residential construction to offset Government cutbacks in roads and other public works.

WORLD STOCK MARKETS

NEW YORK

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

Firm early Wall St. showing

STOCKS ON Wall Street were inclined to improve in fairly active early trading yesterday, although Blue Chips were rather restrained.

Analysts said investors remained somewhat cautious ahead of President Reagan's economic address to the nation set for 21.00 EST last night. Signs on Wednesday that the Federal Reserve might let interest rates ease a little were encouraging, analysts added, but Fed chairman Volcker said yesterday morning that rates could rise during the transition to President Reagan's economic programme.

The Dow Jones Industrial Average, the Blue Chip indicator, edged up 2.90 to 944.88 at 1 pm, while the NYSE All Common Index rose 50 cents to $74.14. Advances outpaced falls by a two-to-one ratio after trading volume of 32.43m shares, compared with the previous day's 1 pm figure of 31.86m.

Oscar Mayer gained 1¼ to $26¾, while General Foods put on ⅛ to £31½. General Foods said it has tentatively agreed to pay $29 a share cash for Mayer.

Sears Roebuck picked up ¼ to $15½, K Mart ⅛ to $17¾, Dayton Hudson ⅜ to $44¼ and Tandy $1 to $43½. Chain Stores reported mostly higher sales.

Lockheed added 1⅝ at $30½. It is to offer to exchange debt for Convertible Preferred stock. General Dynamics hardened ⅛ to $33 despite lower fourth-quarter earnings.

Johns-Manville reported lower December quarter earnings but was unchanged at $23.

THE AMERICAN SE Market Value Index was 3.03 higher at 341.26 at 1 pm. Volume 3.01m shares (2.86m).

Canada

A firming tendency continued to prevail yesterday morning in fairly busy dealings. The Toronto Composite index put on 4.5 to 2,219.4 at noon, while Golds added 38.3 at 4,074.6 and Oil and Gas 20.1 at 4,417.0. Banks, on the Montreal Exchange, rose 3.46 to 410.41.

Closing prices for North America were not available for this edition.

Tokyo

Profit-taking became more widespread yesterday as investors remained concerned about the high level of outstanding buying contracts in margin trading. Many issues lost ground, although Natural Resources shares and Trading Houses were firm exceptions on bargain hunting.

The Nikkei-Dow Jones Average declined 9.97 to 7,278.44 and the Tokyo SE index 1.41 to 508.99. Turnover amounted to 300m shares, against Wednesday's 330m.

Hitachi Shipbuilding lost Y6 to Y187, Kawasaki Heavy Y4 to Y188, Toshiba Y3 to Y222, Victor Japan Y60 to Y2,600, Yamaha Y17 to Y843, Minolta Y4 to Y746, Fuji Photo Film Y15 to Y967 and Nippon Electric Y6 to Y561.

In contrast, Trading Houses C. Itoh, Y414, and Mitsubishi, Y681, advanced Y9 and Y6 respectively. In the Natural Resources group, General Oil rose Y23 to Y818, KDA Oil Y23 to Y818, Nippon Oil Y40 to Y1,500, Teikoku Oil Y50 to Y1,170 and Mitsui Mining Y18 to Y778.

Germany

Shares tended to recover further ground, with light selling outweighed by foreign buying. The Commerzbank index retrieved 4.1 more at 676.7 for a two-day improvement of 7.8.

An announcement that the Central Bank had not changed Bundesbank's key lending rates came after the market had closed.

Brokers said foreign investors exhibited special interest in Bank shares, particularly Deutsche Bank, which advanced DM 3.70 to DM 281.

Krupp-Huette rose DM 5 in Steels, while among Engineerings, Linde and GHH moved ahead DM 3.50 apiece.

The Domestic Bond market was again weak, with Public Authority paper recording losses extending to 80 pfennigs. The Bundesbank bought DM 40m of stock, compared with DM 9m on Wednesday. Mark Eurobonds were mixed.

Milan

The market rallied strongly yesterday on an unexpected late flow of demand. The Banca Commerciale Italiana index rebounded 8.01 to 206.84, which is only five points below the 1980-1981 high of 211.98 registered last Friday.

Renewed heavy demand by large banks, holding groups and professional speculators reversed the severe downward trend which was triggered earlier this week by the dollar's strong rise and by credit restrictions imposed by the Italian Government to support the weak Lira.

Brokers said rumours that the Government would not set any additional credit restrictions because the dollar steadied helped the market rise.

The rally was initiated by Insurance issues. Stocks of the Holding, Banking and Industrial sectors quickly joined the rise.

Australia

After trading indecisively for much of the day, markets showed some late improvement as international cash made its presence felt. The Australian All Ordinaries index recovered 3.1 more of its recent sharp fall to end at 650.1.

Bolstered by some large block trades, volume was up on recent averages. Included in the big trades was a line of 4.2m Hooker shares from the estate of the late Jack Murchison. The lines were placed with domestic institutions at A$1.50 per share, compared with a closing market price of A$1.54, down 1 cent.

An easing of nerves over BHP's record rights offer aided the general Market's firmer tone. BHP, having fallen A$1.35 since Friday's news of the rights issue, picked up 5 cents to A$13.60.

Helped by a strong recommendation from a brokerage concern, Conventional Oils mainly improved. However, it appeared that some traders took advantage of the newly generated buying demand to unload their holdings in the face of recent speculation that Woodside Petroleum would follow BHP with a rights issue.

Woodside shed 5 cents to A$2.70, but Seeko rose 50 cents to A$12.50, Weeks 10 cents to A$7.60, Santos 30 cents to A$17.00 and AOG 3 cents to A$1.08.

Coal issue Utah put on 10 cents to A$3.25 and Uranium issue Pancontinental 30 cents to A$10.20.

Gold shares were firmer, with Kitchener regaining 20 cents more to A$3.40 and Square Gold 40 cents to A$3.50.

Elsewhere in Minings, North BH moved ahead 20 cents to A$3.20 after news that EZ Industries had increased its stake to 15.85 per cent. Murchison Tin climbed 33 cents to A$1.90 and Ashton Mining 20 cents to A$2.25. However, Western Mining eased 5 cents to A$4.75 following the quarterly report.

Banks strengthened, with CBC adding 10 cents at A$3.37 in the wake of a 27 per cent interim profits improvement by subsidiary, Commercial and General Finance. BNS Wales advanced 12 cents to A$3.12.

The Hong Kong and Singapore markets were closed for the Chinese Lunar New Year's holiday.

Johannesburg

Gold shares were easier for most of the day, but picked up late in the session to end on a mixed note after fairly active two-way trading.

Heavyweight gains stretched to 300 cents and losses were around 100 cents, while lesser-priced issues generally showed movements of 25 cents either way.

CANADA

BELGIUM (continued)

DENMARK

FRANCE

GERMANY

BELGIUM/LUXEMBOURG

AUSTRIA

HOLLAND

ITALY

NORWAY

SWEDEN

SWITZERLAND

AUSTRALIA

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

BRAZIL

COMMODITIES AND AGRICULTURE

Bacon curers warn against Green £ revaluation

BY RICHARD MOONEY

SOME BRITISH bacon curers could be forced out of business if Danish producers are allowed to cut their UK prices because of the elimination of an 8p a lb EEC levy, Britain's biggest curer said yesterday.

The levy results from the strength of sterling which has taken it well above the value of the so-called "Green Pound"—the artificial exchange rate at which EEC farm support prices are translated into the national currency. Described as a monetary compensatory amount, the levy is designed to counteract the disadvantage to exporters when real exchange rates run ahead of "green" rates.

Mr. Peter Walker, the Minister of Agriculture, has been under pressure from importers and consumer groups to revalue the Green Pound up to the full sterling level, so eliminating MCAs, and ESS Food, the company that imports Danish bacon into Britain, has pledged to reduce its prices by the full amount of any levy cut. Mr. George Cattell, FMC's managing director, warned yesterday that this would put all UK curing factories in "real difficulty" and force some of them out of business.

Any attempt to follow a Danish price cut of this size would force most British curers into a loss-making situation, he said. There was no scope under the bacon-pig contract to reduce pig farmers' prices further so any retail price reduction would have to be borne entirely by the curers. With present margins only just sufficient to maintain full-scale operations this might force curers to break the producer contract, Mr. Cattell said.

Already, he said, some smaller curers had broken the contract and were negotiating with farmers on schemes to keep factories going.

Mr. Walker has so far resisted pressure to revalue the Green Pound on the grounds that he does not believe such a move would result in retail price reductions but in improved profits for foreign producers exporting to the UK. This echoes the view expressed by British food processors' groups, including the Bacon and Meat Manufacturers' Federation, and the National Farmers' Union.

Apart from elimination the import subsidies, revaluation of the Green Pound would reduce EEC farm support prices in sterling terms and put British farmers' incomes, down 24 per cent last year in real terms, under further pressure.

The UK Provision Trade Federation calculated yesterday that the record MCA rate of 18.2 per cent operating from next Monday would result in levies of 8.08p a lb on bacon, 14.9p on butter, 11.5p on cheddar cheese, 15.49p on canned hams and 2.02p on lard.

Britain's total MCA bill next week is expected to amount to £2.35m.

● Eggs could be cheaper in the shops next week following wholesale price cuts of 4p a dozen on sizes one and two and 2p a dozen on size three announced yesterday. But the reductions may not be fully reflected since some retailers have already been discounting egg prices.

The British egg market has been unusually strong in the post-Christmas period and the relatively high prices have attracted in increased supplies of larger-sized eggs from the Continent. This was the main reason for the oversupply which resulted in this week's cut, wholesalers said.

Aid for UK fishermen likely

BRITAIN'S beleaguered fishermen are likely to receive further Government financial aid fairly soon. Mr. Peter Walker, the Agriculture and Fisheries Minister, announced yesterday that he had decided to bring forward the review of the fishing industry's financial position promised for the end of March. The move was seen as a virtual guarantee that more Government money would be forthcoming.

Extra aid worth £14m was given last August and about £2m is thought to remain of that money. At that time industry leaders calculated £35m was needed to cover expected losses for the second half of 1980. Now they are believed to be seeking around £30m for the rest of 1981 but in view of the squeeze on public expenditure the aid is not likely to approach this figure.

Total aid to the British fishing industry last year (including normal expenditure on grants and loans etc.) amounted to £37.5m.

The need for more aid has resulted from the collapse of phenomenen the fishermen have blamed on dumped imports from the Continent, especially Holland. Most would prefer to have these imports halted and do without the financial aid, but Ministry officials said yesterday it was impossible to do anything to curb imports without firm evidence that they are illegal under EEC rules.

At a meeting with Mr. Walker on Wednesday, Mr. Braks, the Dutch Fisheries Minister, agreed to look into allegations that Dutch fish withdrawn from the home market to support prices were being sold to Britain instead of being destroyed or processed into animal feed.

Mr. Walker said the Government was determined to obtain a common EEC fisheries policy giving a secure and prosperous future to British fishermen. But he has already confessed to being "not over-optimistic" about the prospects for the next round of Brussels fish talks which begin on Monday. Britain appears prepared to accept the 36.2 per cent share of EEC catches offered at the December talks but is likely to reach a sticking point on French demands for continued access to Britain's exclusive fishing zone.

UK SUGAR BEET

Little room for growth

BY DAVID RICHARDSON

FEW FARM crops have been as consistently reliable, over the years, as sugar beet. I have not, of course, forgotten the run of bad crops in the mid-1970s when freak droughts played havoc with UK yields.

But in the 30 or so years that I have been intimately concerned with growing beet, profits have been useful or good in an average of at least four years out of every five. Compared with the volatility of some alternative crops, that is very reliable indeed.

British Sugar's announcement in 1976 that the capacity of its beet processing factories would be expanded, at a cost of £150m, from 900,000 tonnes to 1.25m by 1981, was therefore excellent news for growers.

The plan was endorsed in a Government long-term plan for agriculture entitled "Food From Our Own Resources" and the 1.25m tonnes coincided with the sum of the so-called "A" and "B" quotas just negotiated for Britain within the EEC.

Farmers were encouraged to expand their sugar beet acreages with the declared intention of growing and processing half the UK's sugar requirements at home. At that time consumption was running at about 2.7m tonnes per year.

Initial response to that encouragement was rather slow, reflecting no doubt the poor yields and disastrous returns of the previous drought-affected crops. But since 1977, yields have returned to more normal levels and many farmers have expanded up to, or close to, their rotational maximum. (To prevent the build-up of soil-borne diseases and pests, sugar beet are not permitted to be grown on the same land more than one year in three. In practice few farmers grow more than one beet crop on the same field every fourth year.)

It would probably be true to say that most of those growers are pleased with the results they've achieved. Indeed, the profitability of sugar beet over the last two or three years has, according to some recording agencies, been as high, and on some farms higher, than for any other crop.

But others have been disappointed with their extra sugar beet. In the main, they are the growers who farm land which is either too heavy or too light or for some other reason will not grow optimum yields. Before they expanded their acreages they were able to select their best fields for sugar beet and seldom tried to grow them on unsuitable land. An expanded acreage, however, makes that more difficult, if not impossible (for the rotational reasons already referred to) and average yields in such cases have declined to uneconomic levels.

British Sugar, the company that processes all UK sugar beet, recently commissioned a survey of beet growers by the Department of Land Economy at Cambridge University. The representative sample of farmers was asked, among other things, if they would want to increase their acreage of sugar beet in the unlikely event that all quota restrictions were removed. Out of the total replies 69 per cent said they were content with their present acreage, 9 per cent said they would grow more, 12 per cent were uncertain what to do, while 10 per cent were already considering reducing their sugar beet.

A significant number have indeed already done more than reduce — they've stopped growing beet altogether—ever since the 1976 expansion plan was announced. As British Sugar's latest annual review states quite clearly, the number of UK growers has gone down from 16,000 in 1975 to 14,000 last year. Meanwhile, the average acreage grown by those still in the business has increased providing still further evidence that sugar beet, which was always a specialist crop, is now even more so.

It would be reasonable to suppose, therefore, that most of those "specialists" are already contracted to grow the maximum acreage of sugar beet that will fit on to their farms and that they will not, or cannot, expand any further. Lord Jellicoe, chairman of Tate & Lyle, was therefore probably perfectly accurate when he suggested the other day as part of his vindication of T & L's closure of the Liverpool refinery, that the "expansion of the area planted in beet in the UK appears to have ceased."

If that proves to be the case, it would seem that it has ceased at around 1.15m tonnes, not 1.25m tonnes as stated in the original target. It so happens that sugar consumption in the UK has now dropped to 2.3m tonnes, so in spite of failing to reach its 1.25m tonnes target British Sugar has still apparently fulfilled its ambition to supply half the UK's domestic needs. It is also significant to note that Mr. Peter Walker, Minister of Agriculture, has stated that he will be seeking to secure "A" and "B" quotas totalling 1.15m tonnes for Britain over the next five years in the now imminent EEC negotiations on sugar.

But British Sugar claims in its latest annual report to have reached its target capacity of 1.25m tonnes in its 17 plants, marginally above what it is likely to need even if consumption stops falling. So will the next factory to close belong to British Sugar?

April 6 start for London oil futures

By John Edwards, Commodities Editor

APRIL 6 has been confirmed as the opening date for the gas oil futures market in London. Full details of the proposed contract are to be announced next Tuesday, but members of the International Petroleum Exchange are confident now that the target date of April 6 will be achieved.

Considerable interest is being shown in the market. Although the bulk of the floor members are commodity brokers, several are linking up with oil traders. Premier Man, for example, has been created as a joint venture between oil producer Premier Consolidated Oilfields, commodity traders E. D. and F. Man and brokers Anderson Man.

Another commodity broker, Inter Commodities, has acquired free market oil traders, Lambert and Bendall.

Florida citrus crop may fall 20%

BY PAUL BETTS IN NEW YORK

ALTHOUGH THE full extent of the damage caused by the recent icy cold to the Florida citrus crop will not be known until official estimates are released next Tuesday, preliminary reports suggest that about 20 per cent of the orange crop has been hit, causing losses to growers totalling more than $35m.

A spokesman for the Florida Citrus Department said yesterday that growers were harvesting the orange crop as quickly as possible for processing, but few fresh oranges were leaving the state.

Growers had expected another freeze this week, but so far the bitter cold wave in north-eastern states has not spread south. This has led to some easing in the recent heavy advances in the price of frozen concentrated orange juice futures on the New York Commodities Exchange.

While futures prices have continued to increase, they have not touched the daily limits as they have done in earlier sessions. This is also in part due to the expected cushioning effect of large shipments of Brazilian oranges.

Brazil has currently temporarily cancelled shipment to the U.S. to wait until prices move higher, although shipments are expected to resume as soon as prices begin tapering off.

The South American country's substantial orange stocks are expected to reduce pressure on the U.S. market and the industry is already anticipating that Brazilian shipments could reach a record 170,000 metric tons this year, or more than 200 per cent than last year.

Move to boost U.S. stockpile

BY NANCY DUNNE IN WASHINGTON

THE COMMITMENT by the Reagan Administration to increased defence spending is leading to efforts to strengthen the U.S. stockpile of strategic and critical materials.

Concern has been mounting for some time over shortages of 45 stockpiled commodities and increased American reliance on mineral imports.

Several congressmen, industry and military analysts have suggested that the U.S. and the Soviet Union are—or will in the future be—engaging in a "resources war" for control of the world's minerals.

It is an argument to which President Reagan and his advisers apparently subscribe. Shortly after his election, Mr. Reagan appointed a task force to review U.S. vulnerability in case of disruption of critical material supplies. Heading that task force is R. Daniel McMichael, immediate past president of the World Affairs Council of Pittsburgh, one of the leading exponents of the "resources war" argument.

A revised stockpile policy for acquisitions over the next five years is expected to be announced soon by the Federal Emergency Management Agency (FEMA), which determines stockpile "goals." Although the agency made no purchases last year, it is expected to recommend buying those commodities not produced domestically and those which are far below established "goals."

Purchases could well include platinum, cobalt and chrome. Funds for purchases might be generated from the sale of tin, industrial diamonds, tungsten and, possibly, silver. FEMA last week requested authorisation to sell seven excess commodities including iodine, industrial diamonds, mercuric oxide, mercury, mica and silver.

Restrictions in the law governing the stockpile are likely to slow implementation of administration policy. By law, each purchase and sale must be approved by Congress, often a time consuming and controversial process. Also by law, sales and purchases must be made gradually so as not to disturb the market.

Also slowing down acquisitions will be cost. The national debt is approaching $1,000bn to bring the stockpile up to goal—even if the materials are available—would cost an estimated $10bn.

Fall in pepper exports seen

JAKARTA. — Indonesia pepper exports are likely to fall in 1981 to around 28,000 tonnes from 1980's 33,000 tonnes, according to foreign industry experts.

Lower prices may have discouraged plantings this year and area harvested is expected to fall slightly to about 48,000 hectares from 53,000, they believe.

Indonesia last year was estimated to have produced about 40,000 tonnes of which 27,000 tonnes was black pepper.

The experts estimate, based on trade reports, is somewhat lower than previous Indonesian official estimates of an anticipated 1980 crop of 52,000 tonnes.

They forecast 1981 production as likely to be around 35,000 tonnes.

The year's first crop, to be harvested soon, is somewhat down on last year, it is reported.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Firmer on the London Metal Exchange, owing to renewed short covering, strong demand for lead, and the decline in sterling. Forward metal opened at £785.5 and gradually moved up to £802.5 before closing the late kerb at £801.5. Turnover, 2,470 tonnes. [illegible]

TIN—Gained ground. Three months eased to £5,960 in the morning rings on lack of interest but rallied strongly thereafter, reflecting the rise in other metals and the fall in sterling. Forward metal touched the day's high of £6,040 on trade, stop-loss and American buying but eased to close the late kerb at £6,030. Turnover, 1,885 tonnes. [illegible]

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

SILVER

[illegible]

COCOA

[illegible]

RUBBER

The London physical market opened unchanged, with little interest throughout the day, closing quiet and slightly steadier, Lewis and Peat reported. [illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

PRICE CHANGES

[illegible]

POTATOES

[illegible]

AMERICAN MARKETS

NEW YORK, February 5. STEADYING CASH cattle markets and indications of lighter hog weights and numbers were responsible for gains in the entire livestock complex. The grain and soyabean complex traded lower throughout most of the session on carryover technical weakness from Wednesday, but short covering rally late in the day moved prices higher. [illegible]

Wednesday's closing prices

[illegible]

EUROPEAN MARKETS

[illegible]

INDICES

FINANCIAL TIMES

DOW JONES

MOODY'S

REUTERS

[illegible]

LONDON STOCK EXCHANGE

Markets easier on small end-Account profit-taking

Slight disappointment in absence of MLR reduction

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan. 26	Feb. 5	Feb. 6	Feb. 16
Feb. 9	Feb. 26	Feb. 27	Mar. 9
Mar. 2	Mar. 12	Mar. 13	Mar. 23

* "New time" dealings may take place from 9 am two business days earlier.

Some disappointment in the absence of a cut in Minimum Lending Rate yesterday led to a slight reversal in London stock market values after the previous five-day advance. No real selling pressure developed, but prices were vulnerable to mark-downs on the withdrawal of recent support and in the presence of short-term holders looking for profits as the current trading Account nears its end.

In British Funds, the longs were showing widespread losses of ½ before picking up in places to end with falls of ⅛ to ¼ with the £20-paid Exchequer 12½ per cent 1999 "B" tap ending ¼ down at par. Overshadowed by the possibility of a new tap being introduced in the sector, short-dated issues closed with falls generally limited to 1/16. The FT Government Securities index, at 69.33, lost 0.14 of the previous five-day gain of 0.82.

The general markdown in equities was centred on leading shares, and constituents of the FT 30-share index registered widespread losses: these were usually limited to about 4. GEC's loss of 12, to 632p, merely reflecting its strength over the past week or so. Down 3.3 at noon, the index closed at the day's lowest of 472.0 with a loss of 6.9.

"New-time" buyers for the Account starting next Monday were not conspicuous, but the firm undertone was little disturbed by the MLR disappointment because of thoughts that a cut is still in the offing.

Lonrho attracted an exceptionally active Traded options business on the preliminary results and contributed 642 deals to a total of 1,147, which compares with Wednesday's 1,468. Buyers showed particular interest in Lonrho February 104's and May 120's which recorded 192 and 100 trades respectively. A useful trade also developed in Racal, with 196 deals arranged, and in Cons. Gold Fields, with 107.

The major clearers regained early losses ranging to 5 and closed on a steady to firm note with the exception of Barclays, down 3 at 382p. Merchant Banks were led higher by Hill Samuel, 5 up at 138p. In this section, a contrasting movement occurred in Arbuthnot Latham, 10 down at 285p. Among Hire Purchases, UDT were slightly cheaper at 59p for a loss of a penny, following the interim results.

Many Insurances surrendered the previous day's gains with General Accident, 302p, Royals, 360p, and London United, 177p, settling around 6 off. Willis Faber, in Brokers, shed 5 further to 270p.

Sentiment in Breweries was unsettled by cautious remarks on the outlook expressed by the chairman of Arthur Guinness at the annual meeting; Guinness fell 3 to 72p, while similar losses were sustained by Bass, 204p, Whitbread, 148p, and Allied, 84p. Regionals, however, were selectively firm. Vaux added 2 more to 155p, while Davenports closed 7 to the good at 112p.

Leading Building issues eased a shade and Blue Circle ended 4 down at 360p after meeting with some afternoon selling. Contractors rarely strayed from overnight levels, but Housebuilder Barratt Developments lost 4 to 168p on profit-taking. Among Timbers, Magnet and Southerns were raised 8 to a 1980-81 peak of 140p. Elsewhere, preliminary profits slightly higher than market estimates and the more favourable view of current prospects was a help to IDC, up 3 to 63p. Small demand in a narrow market saw J. Latham rise 5 more to 130p.

Chemicals remained drab and ICI slipped 4 to 292p, while Fisons came back 3 further to 115p.

Stores drift easier

Store majors drifted to lower levels for want of attention. British Home, 146p, and Hotherare, 216p, lost 3 and 4 respectively, while profit-taking clipped 8 from recently buoyant GUS "A," 490p. W. H. Smith "A," 149p, and Burton, 192p, shed 2 apiece. In contrast, selected secondary issues attracted a fair measure of speculative attention and gains of 4 were common to Aquascutum "A," 31p, Peters, 98p, and Austin Reed "A," 80p. Lee Cooper spurted to 173p before settling for a net gain of 15 at 165p on the £25m jean production deal with Czechoslovakia. Mail-orders, however, turned dull and Grattan Warehouses closed 6 lower at 72p while Freemans gave up a couple of pence at 108p. Dealings in Blackman and Conrad were suspended at 5p pending a statement from the company.

Leading Electricals turned distinctly easier, but final quotations were usually a few pence above the worst. GEC ended 12 cheaper at 630p, after 617p. Plessey 5 down at 285p and Racal 8 off at 327p. Helped by bear closing, Unitech rallied 9 to 225p after the recent share set-back on the forecast of lower annual profits. In contrast, Rediffusion gave up 8 to 265p and Ferranti 10 to 580p, while fresh offerings left Wholesale Fittings 15 cheaper at 225p. Down to 83p at one stage, Muirhead rallied to close only a penny lower at 9?p following the forecast of a return to profitability before the end of the current year.

Engineering leaders trended a few pence easier, but GKN were noteworthy for a fall of 6 at 139p, sentiment being undermined by the GKN Sankey redundancies. Against the trend, Tubes traded firmly at 176p, up 4. Among secondary issues, the encouraging tenor of the chairman's statement left Spencer Clark 4 higher at 38p, while Mining Supplies responded to the interim results with a rise of 5 at 111p. Amalgamated Power encountered buyers at 77p, up 5, along with Howard Machinery which gained 3 to 22p. On the other hand, the chairman's statement on the trading outlook prompted a reaction of 4½ to 21½p in Brockhouse.

Avana's sale of its holding in Robertson Foods, currently in receipt of a share exchange offer from Avana, caused market intrigue and activity in the shares of both companies. Avana ended 5 up at 210p, after 212p, while Robertson advanced to 197p before closing 4 up on balance at 195p. Features elsewhere in Foods were scarce, but Somportex were lowered 25 to 625p.

Press mention triggered further support of Kennedy Brookes, in Hotels and Caterers, and the price advanced 8 more to 105p.

Bridon on offer

Leading miscellaneous industrials drifted lower, mainly on the absence of fresh support. Glaxo eased 6 to 288p and Beecham 4 to 173p, while losses of few pence were marked against Boots, 248p, and Bowater, 183p. Elsewhere, Bridon encountered selling and closed 7 lower at 46p; last year, the preliminary results were announced on April 4. Reflecting recent weakness in Unitech, Diploma met fresh offerings and gave up 6 more to 153p. Profit-taking left Johnson Group 3 cheaper at 167p, while Christie-Tyler eased 2 to 39p on the reduced dividend and the interim pre-tax loss. Helped by the maintained dividend, Aaronson improved to 59p before closing a penny cheaper on balance at 55p on further consideration of the sharp fall in annual profits and the accompanying statement. Still reflecting bid hopes, Barget gained 10 further to 160p. Davies and Newman firmed 4 more to 120p, while Press mention left Chubb 3 dearer at 77p. Assisted by bear-closing, ICL became a steadier market at 33p, up 1. Crosby House gained 5 to 150p and Lesney rallied 3 to 16p after recent dullness. Dealings resumed in Norvic Securities which closed at 7p compared with the suspension price of 10p; the resumption followed news that Barclays Bank had agreed to provide additional support to keep Norvic in business.

Leisure issues were subdued, but Samuelson Film Service were again prominent on speculative support and rose 5 for a two-day gain of 10 at 163p.

Motor Distributors took on an irregular appearance. A broker's recommendation aided Henlys, 5 dearer at 82p, but Caffyns encountered profit-taking and eased 5 to 134p. Among Components, Dowty, interim results due next Thursday, fell 5 to 200p, while Dunlop lost 2 more to 57p, as did Lucas, to 170p. Flight Refuelling, on the other hand, firmed 3 to 249p. Rumours that ERF have restored a three-day working week prompted increased support for the shares which rose 5 to 52p, a rise of 8 since Monday.

Undaunted by the absence of a reduction in MLR, buyers were active again in Properties. New 13-month peaks were achieved by Hammerson A, 10 higher at 625p, and Fairview Estates, 4 at 110p, while gains of 4 were established by Property Security, 189p, Regional A, 148p, and Phoenix Mining, 55p. Stimulated by a broker's seminar, Thames Investment rose 3 to 153p. Beaumont moved up to 144p on the increased revenue before ending only a net penny firmer at 142p, while Warnford Investments were raised 10 to 420p in a thin market. Pending details of a major acquisition of freehold development land, dealings in Trust Securities were suspended at 232p. Leading Properties also edged forward. Land Securities closing 2 dearer at 388p, after 340p.

Easier trend in Oils

Scattered offerings and the absence of support made for a subdued session in Oils. BP, 408p, and Shell, 426p, gave up 6 and 4 respectively in the leaders. Lasmo eased 15 to 655p and Sovereign 8 to 390p. Against the trend, Cluff advanced 15 to 345p and Celtic Basin 25 to 100p on news of the farm-out agreement with BP.

Lonrho shaded to 101p on initial disappointment with the full-year profits which were at the lower end of market estimates, but support was evident at this level and the close was 4 up on balance at 108p.

Stag Line firmed 3 to 403p following the 400p per share cash counter-offer from Turnbull Scott, unchanged at 405p. Rival bidders Bunting Gibson added a couple of pence to 139p.

Golds erratic

A fall in the bullion price on fears of interest rate rises in the U.S. left South African Golds mixed in quiet trading.

The sharemarket opened lower, in line with the bullion price, but subsequently rallied on bear closing and renewed buying interest. However, the buying petered out in the afternoon as American selling left prices well below the day's best. The Gold Mines index put on 4.1 to 307.6.

The heavyweights bore the brunt of the U.S. selling with losses of around ½ common to Vaal Reefs, £32, West Driefontein, £29, and St. Helena, £16¾. On the other hand, Buffels retained a rise of ¼ at £16¼ and Free State Geduld edged up ⅛ to £20¼.

The marginal issues surged ahead after recent sharp falls. East Rand Proprietary jumped 161p to 820p, Durban Deep 141 to 800p and Wit. Nigel 11½ to 75p.

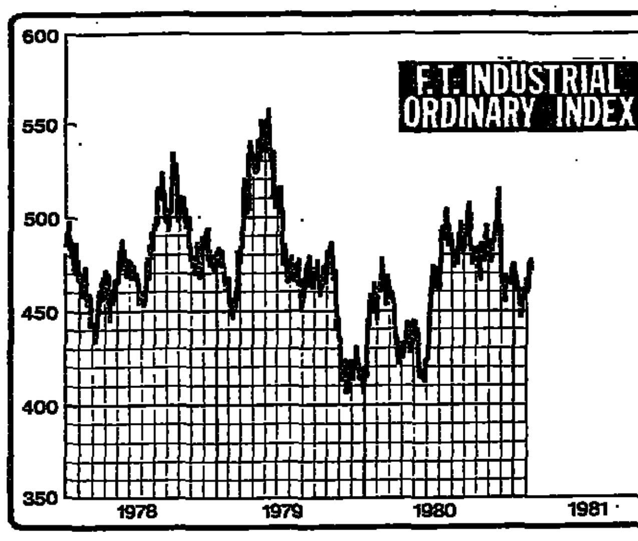
In South African Financials, Gencor rose 25 for a two-day gain of 125 to 750p, while UC Investments advanced 10 more to 450p, still reflecting the record profits and sharply increased dividend.

London Financials lost ground following the declines in UK equities and the bullion price. Gold Fields gave up 13 to 440p and Rio Tinto-Zinc 5 to 398p.

Persistent American buying prompted sizeable gains in Platinums; Impala closed 25 higher at 338p, Rustenburg 8 firmer at 236p and Lydenburg 6 up at 136p.

A good performance in overnight domestic markets saw Australians move ahead in the morning and early afternoon before easing at the close on profit-taking. Western Mining fell 8 to 235p in the wake of interim profits and dividend. Golds were easier with North Kalgurli 4 off at 59p and GMK a like amount cheaper at 350p.

In the speculatives, Leichardt Exploration dropped 10 to a 1980/81 low of 70p, Jones Mining 6 to 28p and Otter Exploration 5 to 62p. Ashton Mining, a weak market of late, recovered 6 to 110p.



BAHCO DOCUMENT

Bahco, the Swedish industrial group, yesterday issued the formal offer document on its increased £4.7m bid for Record Ridgway, the Sheffield hand tools maker whose board are recommending the new terms.

The directors of Ridgway have accepted for their own 2.4 per cent of the shares. The offer closes on February 27.

FINANCIAL TIMES STOCK INDICES

	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Jan. 30	Jan. 29	A year ago
Government Secs.	69.33	69.47	69.39	69.26	69.21	69.09	66.05
Fixed Interest	71.12	70.99	70.96	70.97	70.95	70.69	67.06
Industrial Ord.	472.0	478.9	476.8	467.5	466.5	465.1	462.9
Gold Mines	307.6	303.5	284.2	291.5	293.2	281.4	346.4
Ord. Div. Yield	7.56	7.45	7.48	7.62	7.64	7.71	7.05
Earnings, Yld.% (full)	16.9	16.66	16.75	17.05	17.22	17.39	17.38
P/E Ratio (net) (*)	7.35	7.34	7.31	7.18	7.10	7.04	7.07
Total Bargains	21,464	23,079	21,312	21,745	17,719	18,518	22,393
Equity turnover £m	—	127.46	122.55	108.22	102.91	112.20	154.92
Equity bargains total	—	11,502	15,749	15,209	13,161	13,990	16,751

10 am 477.9. 11 am 475.8. Noon 476.6. 1 pm 472.6.
2 pm 472.1. 3 pm 472.1.
Latest Index 01-246 8026.
*Nil=6.68.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54 (21/1/80)	63.88 (7/5/80)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.06 (24/7/80)	64.70 (10/3/80)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11/80)	406.9 (3/1/80)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9/80)	265.5 (18/6/80)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 5	Feb. 4
—Daily		
Gilt Edged	137.6	160.8
Industrials	98.8	106.3
Speculative	34.5	29.4
Totals	70.1	78.6
5-day Avrge.		
Gilt Edged	122.7	122.6
Industrials	94.7	93.0
Speculative	39.6	33.3
Totals	67.1	65.5

NEW HIGHS AND LOWS FOR 1980/81

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (37)

BRITISH FUNDS (3)
Treas. 9¾pc 1981 Treas. 3pc 1982
Exch. 3pc 1981

AMERICANS (2)
Bankers N.Y. Richardson-Merrell

BANKS (1)
Sec. Pacific Corp.

BUILDINGS (2)
Magnet & Southern Mowlem (J.)

STORES (1)
Brown (N.)

ENGINEERING (2)
Firth (G. M.) Staveley Inds.

FOODS (2)
Belam Robertson
Hazlewood

HOTELS (1)
Kennedy Brookes

INDUSTRIALS (5)
Bibby (J.) Utd. Carriers
Macarthys Pharm. Ward (T. W.)
Rexmore Inc.

LEISURE (2)
Saga Holidays Samuelson

MOTORS (1)
Kenning Motor

PROPERTY (4)
Fairview Estates Phoenix Mining & Finance
Hammerson A. Prop. Sec. Inv.
London & Prov. Shop
North British Props.

TRUSTS (5)
Anglo-Int. Div. Nippon Fund
Throgmorton Paramba
M. & G. Hldgs.

OVERSEAS TRADERS (2)
Paterson Zochonis Paterson Zochonis A

MINES (1)
Kalimpanll

NEW LOWS (20)

AMERICANS (1)
Damson Oil

BANKS (1)
Midland 7½pc '83-93

STORES (2)
Liberty Blackman and Conrad

ENGINEERING (4)
Alwood Hoover
Aurora Ransome Hoffmann Pollard
Braby Leslie Lonsdale Universal
Christie-Tyler Rockware

LEISURE (1)
Fairline Boats

MOTORS (1)
Alexanders

NEWSPAPERS (1)
Pearson Longman

TEXTILES (1)
Pickles (W.) A N/V

TEAS (1)
Roo Estates

MINES (3)
Coronation Barymin
Leichhardt Exploration

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	5	72	10
Corpns. Dom. and Foreign Bonds	13	9	43
Industrials	198	312	831
Financial and Prop.	98	106	303
Oils	18	27	25
Plantations	1	2	20
Mines	47	44	73
Others	51	40	66
Totals	421	621	1,421

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980-81 high	1980-81 low
ICL	25p	13	33	+1	196	31
GEC	25p	6	620	−12	635	326
Grand Met.	50p	6	188	−2	189	130
GUS "A"	25p	6	490	−8	500	340
ICI	£1	6	292	−4	402	282
Lonrho	25p	6	108	+4	120	72
Plessey	50p	6	288	−5	294	108
Unilever	25p	6	457	—	512	388
Allied Breweries	25p	5	84	−3	89	62
GKN	£1	5	138	−6	279	133
Howard Machinery	25p	5	22	+3	23	9
Racal Electronics	25p	5	327	−8	370	175
Shell Transport	25p	5	426	−4	522	314
Thorn EMI	25p	5	382	−6	380	260
Ultramar	25p	5	490	−5	533	206

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 2	Feb. 13	May 14	May 26
Feb. 16	Feb. 27	May 28	June 8
Mar. 9	Mar. 20	June 11	June 22

For rate indications see end of Share Information Service

Calls were arranged in Premier Oil, Racal, Woodside, TNFC, Norfolk Capital, Lincroft Kilgour, Turner and Newall, George Sturla, Associated Dairies, ICL, London Investment Trust and Lonrho. Puts were taken out in Thorn EMI, Lasmo, Western Holdings, Premier Oil and Hawker Siddeley, while Lonrho and Grattan Warehouses were dealt in for the double.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thurs., Feb. 5, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed., Feb. 4 Index No.	Tues. Feb. 3 Index No.	Mon. Feb. 2 Index No.	Fri., Jan. 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	290.35	−1.0	14.39	5.68	8.48	293.25	[illegible]	[illegible]	287.06	241.23
2	Building Materials (26)	258.61	−0.1	18.09	6.68	6.59	258.79	257.15	[illegible]	254.54	215.69
3	Contracting, Construction (26)	443.87	−0.3	20.55	5.72	5.84	445.04	441.03	438.53	432.21	[illegible]
4	Electricals (27)	962.21	−1.6	9.10	2.72	13.58	978.31	[illegible]	955.56	950.87	615.04
5	Engineering Contractors (11)	390.85	−0.8	15.26	6.62	8.36	393.96	393.23	390.90	384.97	295.53
6	Mechanical Engineering (71)	170.12	−0.7	17.20	7.82	7.27	171.26	169.83	168.45	167.28	161.97
8	Metals and Metal Forming (13)	131.73	−1.3	20.02	12.67	6.33	133.45	133.39	132.73	130.27	[illegible]
9	Motors (21)	86.20	−1.0	22.27	9.69	5.17	87.04	87.03	86.31	85.56	113.50
10	Other Industrial Materials (16)	291.61	−0.6	15.72	7.36	7.57	293.36	291.39	288.72	285.22	0.00
21	CONSUMER GROUP (198)	243.04	−0.9	15.68	6.50	7.73	245.18	242.86	240.18	239.15	220.87
22	Brewers and Distillers (20)	265.53	−1.6	17.55	6.89	6.75	269.75	265.32	263.97	262.91	252.36
25	Food Manufacturing (23)	218.48	−0.4	18.00	7.25	6.60	219.26	216.97	216.24	214.51	203.32
26	Food Retailing (14)	464.62	+0.1	10.04	3.45	11.77	464.34	458.72	455.99	455.90	302.87
27	Health and Household Products (7)	261.58	−2.3	10.17	5.45	11.69	267.64	265.74	257.62	255.71	212.50
29	Leisure (22)	347.48	−0.9	16.09	6.58	7.66	350.69	348.81	348.83	347.53	301.50
32	Newspapers, Publishing (12)	433.12	−0.9	21.07	7.20	6.16	437.03	434.18	428.96	424.56	442.82
33	Packaging and Paper (15)	115.22	−0.4	27.72	10.54	4.18	115.63	115.06	113.50	113.67	151.75
34	Stores (44)	254.42	−1.0	11.69	4.95	11.20	256.92	255.49	251.17	250.41	220.24
35	Textiles (21)	129.13	−0.6	19.90	10.45	6.57	129.91	[illegible]	125.80	125.72	152.41
36	Tobaccos (3)	216.43	+0.5	26.52	10.76	4.29	215.35	212.38	210.89	209.39	215.85
39	Other Consumer (17)	231.29	—	16.49	9.24	7.42	231.28	232.22	233.20	232.42	0.00
41	OTHER GROUPS (79)	213.39	−0.4	18.42	8.00	6.49	214.19	212.32	211.15	210.75	207.77
42	Chemicals (15)	277.38	−1.1	21.06	9.57	5.56	280.47	276.87	274.86	276.08	304.69
44	Office Equipment (6)	102.54	+0.4	18.15	8.10	6.53	102.12	101.74	100.82	100.66	121.04
45	Shipping and Transport (13)	546.59	+0.2	13.90	6.73	8.83	545.32	542.72	542.35	541.27	457.50
46	Miscellaneous (45)	261.17	+0.1	16.96	6.52	7.25	260.85	259.24	258.11	255.56	245.02
49	INDUSTRIAL GROUP (488)	255.79	−0.8	15.59	6.41	7.77	257.98	254.25	253.27	252.25	[illegible]
51	Oils (12)	875.69	−1.2	17.42	6.01	4.06	885.95	[illegible]	[illegible]	865.02	733.94
59	500 SHARE INDEX	304.67	−0.9	18.24	6.32	6.45	307.69	305.76	302.55	302.16	263.44
61	FINANCIAL GROUP (118)	240.34	−0.3	—	5.55	—	240.58	239.65	239.33	240.09	197.54
62	Banks (6)	229.32	−0.2	44.61	7.44	2.69	229.83	230.66	232.71	239.25	226.09
63	Discount Houses (10)	306.97	—	—	5.86	—	305.84	306.56	307.66	304.36	236.38
64	Hire Purchase (5)	219.39	−0.6	10.36	4.67	12.73	220.79	223.10	217.72	216.54	181.31
65	Insurance (Life) (10)	260.67	—	—	5.06	—	260.75	258.11	257.69	254.66	170.32
66	Insurance (Composite) (9)	154.89	−1.1	—	7.55	—	156.57	154.23	152.72	151.92	132.16
67	Insurance Brokers (9)	310.46	−1.7	14.69	7.46	9.31	315.74	319.87	324.29	312.44	287.08
68	Merchant Banks (13)	148.42	+0.6	—	5.21	—	147.52	147.33	147.77	147.70	105.58
69	Property (45)	467.60	+0.3	3.17	2.65	43.76	466.25	462.73	461.26	460.55	350.75
70	Miscellaneous (11)	170.94	−0.3	16.04	5.41	7.92	171.51	171.16	172.06	173.43	132.18
71	Investment Trusts (109)	276.84	—	—	5.46	—	276.94	275.33	276.35	275.70	218.43
81	Mining Finance (3)	204.19	−1.9	16.06	6.57	7.42	208.21	205.57	204.90	208.65	205.39
91	Overseas Traders (20)	433.82	+0.5	11.84	6.77	10.28	431.84	432.33	430.03	425.51	359.23
99	ALL-SHARE INDEX (750)	290.91	−0.7	—	6.14	—	293.05	291.33	289.33	288.97	233.74

FIXED INTEREST PRICE INDICES

	British Government	Thurs., Feb. 5	Day's change %	Wed., Feb. 4	xd adj. today	xd adj. 1981 to date
1	Under 5 years	108.00	−0.09	108.10	—	0.89
2	5-15 years	110.15	−0.21	110.38	—	1.45
3	Over 15 years	114.37	−0.31	114.73	—	0.52
4	Irredeemables	128.86	−0.19	129.10	—	0.00
5	All stocks	110.58	−0.22	110.81	—	0.91

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Thurs., Feb. 5	Wed., Feb. 4	Year ago (approx.)
1	Low Coupons	5 years	11.55	11.51	12.60
2		15 years	12.25	12.22	12.60
3		25 years	12.35	12.31	12.60
4	Medium Coupons	5 years	13.34	13.27	14.81
5		15 years	13.78	13.74	14.13
6		25 years	13.61	13.55	14.00
7	High Coupons	5 years	13.32	13.27	15.26
8		15 years	14.02	13.98	14.61
9		25 years	13.82	13.76	14.31
10	Irredeemables		11.49	11.46	11.56

		Thurs., Feb. 5 Index No.	Yield %	Wed. Feb. 4	Tues. Feb. 3	Mon. Feb. 2	Friday Jan. 30	Thurs. Jan. 29	Wed. Jan. 28	Tues. Jan. 27	Year ago approx.
15	20-yr. Red. Deb. & Loans (15)	52.15	†14.20	52.14	52.12	52.17	52.15	52.06	52.05	52.05	51.52
16	Investment Trust Prefs. (15)	50.68	13.35	50.69	50.69	50.69	50.69	50.69	50.83	50.65	47.82
17	Coml. and Indl. Prefs. (20)	68.32	13.14	68.18	68.09	68.04	68.04	67.92	68.17	68.10	61.63

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1980-81 High	1980-81 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
§8	F.P.	5/2	335	285	✣Amer. Comm. Inds.	285	......	—	—	—	—
$100	F.P.	5/2	£41½	£36½	✣Do. Notes 20%	£36½	......	Q20%	—	22.8	—
610	F.P.	—	650	600	✣Cramphorn	650	......	16.5	2.1	3.6	18.8
5¹	F.P.	—	7½	6½	✣Dunton 5p	7½	......	—	—	—	—
107	F.P.	12/1	154	113	Independent Inv. 25p	123	......	—	—	—	—
70	F.P.	9/1	100	78	✣Midland Marts	95	......	b3.75	2.0	5.6	12.7
100	F.P.	23/1	116	97	New Tokyo Inv Tst 50p	110	−2	—	—	—	—
	F.P.	—	14	12	✣Parkfield Foundri's	13½	......	0.88	6.4	9.3	2.4
50	F.P.	21/1	52	47	✣Pennine	50	......	—	—	—	—
81½	F.P.	16/2	106	97	Sonic Sound Audio 10p	97	−1	b4.48	1.9	6.6	9.4
**	F.P.	9/2	80	73	Westpool Inv. Defd	80	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980-81 High	1980-81 Low	Stock	Closing Price £	+ or −
¶	F.P.	14/1	111	100½	Allied London 8½% Cnv. Uns. Ln. 1999	104½	+½
¶	F.P.	26/2	107¾	106½	Chester Waterworks 9% Red. Pref. 1985	107½	......
100p	F.P.	28/1	105½p	102p	Comben 11.375% Cum. Red. Pref.	105p	......
	Nil	12/2	40pm	6½pm	Crystalate 9¾% Cnv. Uns. Ln. '99-2000	8½pm	−1
¶	F.P.	26/2	107¼	106½	East Anglian Water 9% Red. Pref. 1985	107½	......
¶	F.P.	26/2	107½	106¼	East Worcester 9% Red. Pref. 1985	107½	......
¶	F.P.	26/2	105	104½	Essex Waterworks 8½% Red. Prf. 1985	104½	......
96	£20	27/3	21⅝	20¼	Iceland 14½% 2016	21⅝	......
£100	£50	30/4	46	41	Lon. Merchant Secs. 7½% Cv Uns Ln 2000-05	45½	......
99	F.P.	25/3	101¼	96¼	Mid-Sussex W'rw'ks 14% Red. Deb. 186-88	101¼	+¼
	F.P.	20/1	120p	107p	Paterson (R.) 11½% Cum. Cnv. Prf.	120p	+1
	Nil	13/2	18pm	13pm	Portals 9½% Cnv. 1994-2000	17pm	......
**	F.P.	21/1	100p	97p	Standard Industrial 11½% Pref	98p	......

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980/81 High	1980/81 Low	Stock	Closing price p	+ or −
30	F.P.	6/2	27/2	37½	34½	Benlox	35	......
115	F.P.	12/1	26/2	142	134	Brotherhood P.	142	......
45	Nil	18/2	13/3	15pm	8pm	Hampton Trust	15pm	+1
184	F.P.	29/1	15/3	200	188	Johnson, Matthey	197	−1
140	F.P.	19/12	30/1	178½	146	KCA Intnl.	169	−1
$11.65	55cts	—	—	75	31	North Kalgurli Mines	33	−5
60	Nil	16/2	27/3	14pm	11pm	Norcros	14pm	......
25	F.P.	21/1	13/2	26	24	Prestwich Parker	26	......
320	F.P.	23/1	20/3	362	350	Royal Insurance	360	−2
60	F.P.	9/1	13/2	78	67	Security Centres	78	......
145	F.P.	19/1	16/2	210	174	Warren Plants	205	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. : Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✣ Unlisted Securities Market. ‡‡ London Listing. ☆ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Granville Inv. Tst. £6.61 6.94 ...... 5.40
Next dealing day Feb. 16.

Guinness Mahon Fd. Mgrs. (Guernsey)
PO Box 188, St. Peter Port, Guernsey. 0481 23506.
Intl. Fund $20.56 21.25 ...... 10.10
Prices at January 29. Next dealing February 26.

Hambro Pacific Fund Mgmt. Ltd.
2110, Connaught Centre, Hong Kong
Far East Feb. 4 HK$25.62 26.98 ...... —
Japan Fund Jan. 30 US$10.18 10.70 ...... —

Hambros Fd. Mgrs. (C.I.) Ltd.
P.O. Box 86, Guernsey. 0481-26521
Capital Reserve Fd. £12.73 12.74 ...... 0.22
C.I. Fund 189.5 201.6 ...... 3.93
Special Sits. Fund 64.6 68.0 ...... 2.57
Intnl. Bond US$97.12 102.23 ...... 10.22
Int. Equity US$16.19 17.09 ...... 0.88
Int. Svgs. 'A' $US 1.22 1.28 ...... —
Int. Svgs. 'B' 1.67 1.76 ...... —
Prices on Feb. 4. Next dealing Feb. 11.
†Excludes initial charge on small orders.

Henderson Admin. (Guernsey) Ltd.
7 New St., St. Peter Port, Guernsey 0481 26541/2
American (US cents) 122.7 129.2 ...... —

Henderson Baring Group
801, Gloucester, 11, Pedder, Hong Kong
Japan Fund* Feb. 4 US$28.15 29.36 −0.04 —
Japan Teh.* Feb. 2 US$17.86 18.63 ...... —
Malay Singp.* Feb. 3 US$18.36 19.58 ...... —
Pacific Fund* Feb. 4 US$17.982 18.431 −0.316 —
Bond Fd.* Jan. 29 US$10.377 10.532 ...... 9.00
PO Box 71, 7 New St., Peter Port, Guernsey, C.I.
Gilt Fd.† £9.53 9.62 +0.04 13.00
*Inclusive of Preliminary charge. †Weekly dealings.

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., St. Peter Port, Guernsey, C.I.
Guernsey Tst. 185.6 198.6 ...... 3.32

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. 140.0 149.3 ...... 3.00
H.S. Fixed Int. Fd. 90.0 95.0 ...... 12.50
Box 2622, Berne, Switzerland. Telex 33425.
H.S. Overseas Fd. US$23.95 24.91 +0.08 —
CSF Fd. (Acc.) SF18.37 18.76 +0.16 —
Crossbow Fd. SF6.48 6.60 −0.02 —
ITF Fd. (Acc.) US$13.28 13.54 +0.07 —

N.V. Interbeheer
P.O. Box 526, Delft, Holland
Esmeralda (Iss. Price) DF65.30 — 1.53

International Pacific Inv. Mgmt. Ltd.
P.O. Box R237, 56, Pitt St., Sydney, Aust.
Javelin Equity Tst. A$3.56 3.67 ...... 3.72

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong
Jardine J'pn. Fd. Y2089 ...... 0.7
Do. (Accum.) Y2,095 ...... —
J.F. Japan Small Co. Y11,760 ...... —
Jardine Estn. Tst. HK$801.69 ...... 1.80
Intl. Pac. Secs. (Inc.) HK$27.14 ...... 0.70
Do. (Accum.) HK$28.22 ...... —
Jardine Flem Int. HK$27.59 ...... 0.30
Jardine S.E.A. US$45.09 ...... 1.10
J.F. Cur. & Bd. Fd. (Inc.) US$11.25 ...... 6.80
Do. (Accum.) US$12.62 ...... —
Japan & Pacific Cn/Tst US$72.20 ...... 4.6
NAV January 16.
London Agents: Robt. Fleming & Co. Tel: 01-638 5858

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund £12.72 12.73 ...... —

Kemp-Gee Management, Jersey Ltd.
1 Charing Cross, St. Helier, Jersey 0534 73741
Capital Fund 140.8 145.3 +0.8 —
Income Fund 49.2 50.8 +0.2 11.34
Gilt Bond £1,015 1,069 ...... —

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070
Central Assets 185.75 185.79 +0.10 —

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856
Gilt Fund (Jersey) 87.98 ...... 13.00
Gilt Trust (I.o.M.) 92.0 94.3 ...... 13.00
Gilt Fnd. Guernsey 8.54 8.58 ...... 13.00
Intl. Govt. Secs. Tst.
First Sterling £13.86 13.96 ...... —
First Intl. 209.96 230.04 ...... —

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer.Gth. Tst.	55.3	59.3	+0.1	2.45
Abbey Capital	44.3	47.5	-0.1	5.11
Abbey General	53.8	58.2	-0.3	5.27
Abbey Gilt & F.I. Tst.	106.0	111.6	-0.2	11.74
Abbey Income	52.9	56.6	+0.1	9.76
Abbey W'Wide Bd.Tst.	91.5	96.8		4.92
Abbey Inv. Tst. Fd.	47.8	51.7	-0.2	4.91
Equitas Prog. Tst.	77.3	83.6	-0.2	4.89

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	88.7	93.5		12.86

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	85.9	92.4	-0.2	6.28
Brit. Inds. Fund	70.2	75.5		6.72
Growth & Income	48.8	52.2	-0.1	5.17
Elect. & Ind. Dev.	42.4	45.4	-0.1	5.51
Allied Capital	94.2	100.8	+0.2	4.37
Hambro Fund	128.0	137.8	-0.2	6.31
Hambro Acc. Fund	176.2	188.5	-0.4	4.83

Income Funds

High Yield Fd.	62.7	66.6	-0.1	9.01
High Income	76.6	82.4		7.74
A. H. Eq. Inc.	43.2	46.2		7.92
Govt. Secs.	25.5	26.7		11.95

International Funds

International	32.6	34.9	-0.1	2.29
Japan Fund		29.0		0.25
Pacific Fund	63.7	68.2	+0.1	1.20
Secs. Of America	68.2	73.0		2.19

Specialist Funds

Smaller Co.'s Fd.	52.9	56.6	+0.2	4.59

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	33.7	36.7	+0.1	12.48
North American	58.0	62.8	+0.5	2.75
Canadian Exempt*	62.6	67.7		2.64
Canadian Trust	62.5	67.4	-0.3	2.65
Mid Mount High Inc.*	45.9	48.6		9.95
Recovery	59.6	64.0	-0.5	6.74
Gilt Trust	42.3	44.3	-0.1	13.06

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3. 031-226 4931

Cres. Amer. Fd.	37.8	40.8		0.92
Cres. Internat'l.	74.2	80.1	+0.4	1.79
Cres. High. Dist.	41.0	44.2	-0.4	11.08
Cres. Reserves	48.0	51.8	-0.1	5.55
Cres. Tokyo	31.1	33.5	-0.1	0.95

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.2	25.6		10.27

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Jan. 23	218.6	233.2		5.67

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	16.8	18.6		9.05
Gt. Winchester O'seas	25.1	27.5		4.01

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	84.9	91.3	-0.8	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	85.8	90.3	-0.2	4.82

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	31.7	34.1	+0.3	0.85
Amer. Spec. Sits. (z)	24.0	25.8	+0.4	0.92
Gilt + Fixed Int.	24.8	26.2		12.58
Growth + Income	29.7	32.0	-0.1	7.63
Maximum Inc. Eq. Tst.	25.2	27.2		9.39
Special Sits.	37.0	39.8		1.99

James Finlay Unit Trust Mngt. Ltd.

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

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BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

94¾	87¾	Aust. 5½pc '81-82	94½	-¼	5.94	12.54
85⅝	72½	Do. 6pc 1981-83	85⅝	+⅞	7.12	12.75
67¾	58	N.Z. 7½pc 1988-92	65	+¼	11.27	15.45
82¾	72	Do. 7½pc '83-86	78¼	....	9.65	13.45
98	89	Sth. Africa 9½pc '79-81	93	.....	9.94	15.96
160	55	S. Rhod. 2½pc Non-Ass.	121	....	—	—
50	41	Do. 3½pc '80-85 Assd.	46	-1	7.96	24.60
32	20½	Do. 4½pc '87-92 Assd.	23½d	....	16.07	22.29
321	270	Zimbabwe Ann (£100ea)	350	-5	—	25.36

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

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[illegible]

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[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

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FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

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INDUSTRIALS (Miscel.)

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[illegible]

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TOBACCOS

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RUBBERS AND SISALS

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TEAS

India and Bangladesh

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Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

180	78½	Anglo-Dominion	150	–5	—	—	—
97	42	Barymin	42	–1	—	—	—
17	12	Burma Mines 10p	15½	......	0.62	1.1	5.8
445	53	Colby Res. Corp.	260	+30	—	—	—
502	210	Cons. Murch. 10c.	218	......	†030c	1.8	8.2
180	75	††Hemerdon 10c.	77	......	—	—	—
225	36	Highwood Res.	165	......	—	—	—
585	315	Northgate C$1	320	+5	—	—	—
*486	322	R.T.Z.	375	–5	t16.0	3.2	6.1
£115	£94½	Do.9¼%Cv.Ln.'95-2000	£96	......	Q9½%	—	f10.2
140	91	††SPO Minerals 10p	140	......	—	—	—
58	26	Sabina Inds. C$1	40	+3	—	—	—
51	29	††SWCM 10p	34	......	—	—	—
650	411	Tara Exptn. $1	475	+5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

				IRISH	
Albany Inv. 20p	40	......	Conv. 9% '80/82	£93¾	......
Bertam	12	......	Nat. 9¾% 84/89	£79½	–⅝
Bdg'wtr. Est. 50p	565	+10	Fin. 13% 97/02	£86¼	–⅝
Craig & Rose £1	£11¼	......	Alliance Gas	52	......
Fife Forge	41	......	Arnott	225	......
Finlay Pkg. 5p	20	......	Carroll (P.J.)	80	–1
Graig Ship. £1	£21	......	Concrete Prods.	90	......
Higsons Brew	70	......	Heiton (Hldgs.)	32	......
Holt (Jos) 25p	360	......	Ins. Corp.	405	+10
I.O.M. Stm. £1	170	......	Irish Ropes	40	......
Pearce (C. H.)	685	......	Jacob	38	–2
Peel Mills	60	......	T.M.G.	24	+½
Sheff. Refrshmt	95	......	Unidare	82	......
Sindall (Wm.)	130	......			

OPTIONS

3-month Call Rates

Industrials		I.C.I.	28	Utd. Drapery	6½
A. Brew	7	"Imps"	7	Vickers	14
BOC Intl.	9	I.C.L.	9	Woolworths	5
B.S.R.	4½	Inveresk	3		
Babcock	11	Ladbroke	24	**Property**	
Barclays Bank	40	Legal & Gen.	20	Brit. Land	8
Beecham	15	Lex Service	9	Cap. Counties	11
Blue Circle	30	Lloyds Bank	28	Land Secs.	35
Boots	20	"Lofs"	4	MEPC	20
Bowaters	20	London Brick	6	Peachey	8
B.A.T.	25	Lucas Inds.	20	Samuel Props.	15
Brown (J.)	6½	"Mams"	20	Town & City	2¾
Burton	10	Mrks. & Spncr	9		
Cadburys	6	Midland Bank	32	**Oils**	
Courtaulds	6	N.E.I.	7	Brit. Petroleum	36
Debenhams	8	Nat. West. Bank	32	Burmah Oil	19
Distillers	17	P & O Dfd.	12	Charterhall	11
Dunlop	7½	Plessey	25	KCA	22
Eagle Star	22	Racal Elect.	32	Premier	10
F.N.F.C.	3½	R.H.M.	4	Shell	48
Gen. Accident	30	Rank Org.	16	Tricentrol	34
Gen. Electric	50	Reed Intnl.	18	Ultramar	48
Glaxo	22	Sears	4½		
Grand Met	14	Tesco	5½	**Mines**	
G.U.S. 'A'	48	Thorn	28	Charter Cons.	20
Guardian	32	Trust Houses	18	Cons. Gold	45
G.K.N.	16	Tube Invest.	18	Lonrho	10
Hawker Sidd.	20	Unilever	50	Rio T. Zinc	45
House of Fraser	15	U.D.T.	4½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 30

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Friday February 6 1981

WARNING NOTE ON 'NORTH-SOUTH DIALOGUE'

OECD attacks UK foreign aid cuts

BY DAVID WHITE IN PARIS

BRITAIN'S foreign aid policy has been strongly attacked by the main Western countries giving aid to the Third World.

At a meeting of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, called in Paris to review the UK's aid effort, the Government was roundly criticised for its planned cuts and told that these would have "wider implications" in the "North-South dialogue."

The unusually strong terms of the committee's statement reflect growing concern about consequences of a slowing of the flow of aid from the West. This has been aggravated by the recent debate in the U.S. after proposals by Mr. David Stockman, the U.S. Budget director, for sharp reductions in foreign aid.

Though U.S. aid has been declining as a proportion of U.S. gross national product, Washington still provides the biggest contribution of the 17 Development Assistance Committee members, with about a fifth of the total. Britain is the fifth largest contributor, with France, West Germany and Japan providing larger sums.

The committee said that the UK aid programme had borne a disproportionately large part of the cuts in Britain's public expenditure.

It called on the Government to keep the volume of its official development aid stable, and to review progress as soon as possible, despite Britain's economic difficulties. This recommendation was said to be based on "the urgent needs of the developing countries which are receiving British aid."

Denmark, the EEC country which devotes the highest proportion of its GNP to aid, and West Germany were the two countries given the task of examining Britain's recent aid record.

The Government announced last year that its allocations would be cut by 16 per cent in real terms over four years as part of the general cut in public spending.

The committee voiced concern about Britain's intention to give greater weight to political, industrial and commercial considerations in the way she allocated aid.

The British delegation said that this did not mean abandoning the principle of concentrating aid on the poorest countries and areas.

In 1979 UK aid increased by about 28 per cent to reach the equivalent of £2.1bn. This was 0.52 per cent of the British GNP, the highest level since 1965. The committee recognised that a high proporion of this, 95 per cent, was in the form of grants.

Overall flows of public and private money from Britain to the developing world totalled some £9.2bn, or 2.3 per cent of GNP, a level beaten only by Switzerland.

The latest aid plans go against the recent efforts of countries such as West Germany, Japan, Canada, France and Italy to build up their support for the Third World.

Last year the total of aid received by the developing world rose by less than $1bn to $30bn. The committee members' contribution increased, but at a slower rate than before, to $23bn from $22.3bn.

Murdoch's demands rejected by key unions

By John Lloyd, Labour Correspondent

THE NATIONAL councils of the two main print unions at Times Newspapers rejected yesterday virtually all the demands of Mr. Rupert Murdoch, whose purchase of the group is conditional on union agreement to his terms in the next six days.

None of the 54 individual union chapels at Times Newspapers has so far concluded an agreement, and most have rejected the larger part of his conditions.

Mr. Murdoch returned to the UK from Australia early yesterday and spent much of the day at The Times.

He did not take part in negotiations, and it is thought that he still does not intend to participate in negotiations with the print unions' general secretaries on Monday, which they regard as crucial.

The national council of the National Graphical Association endorsed its negotiators' rejection of the proposed cuts in the machine room, and of the accelerated layoff of 186 members in the composing room.

The union has refused to submit to a pay freeze, and is opposed to moving The Times supplements to a provincial printing plant.

The executive council of the National Society of Operative Printers, Graphical and Media Personnel agreed that a "reasonable" number of redundancies could be negotiated on a voluntary basis, but rejected both the level of redundancies and any form of compulsion.

The print unions meet today to draft their version of a disciplinary clause after their rejection of the version proposed last week by Mr. Murdoch's negotiators.

It is likely to contain few, if any, penal elements, and to suggest establishment of a joint committee to which unofficial disputes would be referred.

Seddon Atkinson to trim truck workforce by 810

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S HEAVY truck industry suffered another major reversal yesterday when Seddon Atkinson, the Lancashire-based subsidiary of International Harvester of the U.S., announced it is to cut its manufacturing capacity by about half and make 44 per cent of its workforce redundant.

The decision means 810 of the 1,836 workforce will lose their jobs, and redundancies will affect every department in the organisation, including executives.

Seddon has been working a two-day week since June. It has been hit by the steep fall in demand for heavy trucks in the UK and the high value of the pound, which has favoured importers.

The same factors led to another heavy truck maker, Fodens, going into receivership last year, to ERF abandoning an expansion programme, and to Leyland Vehicles calling for 2,600 redundancies.

Mr. Bob Johnson, the 44-year-old Texan who became managing director of Seddon only last June, also made clear that the cut in the rate of the Government's short-time working compensation scheme payment — from 75 per cent to 50 per cent of earnings — in March this year contributed to "this most difficult decision."

The company, which reported a net profit of £7m in the year to October 1979, suffered a "significant loss" in the six months to October last year, and trading losses continued during November and December, said Mr. Johnson.

Seddon was acquired by International Harvester in 1974. IH recently reported a net loss of $397m (£165.4m) for the year to October 1980, the largest loss in its 150-year history.

Seddon is to close its assembly plant at Walton-le-Dale, near Preston at the cost of all 472 jobs.

Unions reacted angrily to news of the redundancies and said they would fight the closure.

The convener at Walton-le-Dale, Mr. Vic Stephens, said: "The workforce here has bent over backwards for this management. We have increased productivity and done everything that Mrs. Thatcher could have wanted. But we still find ourselves in this position."

Another 300 jobs will go at the Oldham plant where 1,000 are employed and where truck assembly is to be concentrated.

There will be a net loss of 38 jobs from the closure of an old parts distribution centre at Bamber Bridge, near Preston. About 94 employees from Bamber Bridge will be offered jobs at a new £2.5m parts centre nearby, and at Oldham.

Seddon's output of trucks was cut by more than 37 per cent from 4,716 in 1979 to 2,943 last year but it still entered 1981 with high stocks of trucks, raw materials and heavy borrowings to finance this stock.

UK demand for the type of trucks it produces—over 16 tonnes gross—has dropped from 2,700 to 1,600 a month in the last year.

Mr. Johnson predicted the market would not recover before autumn.

"Even then we expect the recovery to be a slow one and the highly-competitive conditions to remain for some time," he said.

GKN Sankey to cut 1,240 jobs, Page 6

British Aerospace 'in strong position'

By Michael Donne, Aerospace Correspondent

SIR AUSTIN PEARCE, chairman of British Aerospace, stressed yesterday that the company was in a strong position with good order books—close to £3.5bn at the end of last December.

He was speaking at a Press conference in London to announce the Government's offer of 100m shares in the company at 150p a share next Friday.

Sir Austin also tried to reassure potential investors that, in his view, there was little likelihood of a future Labour government renationalising the group without compensation.

Such a threat was first raised at the Labour Party Conference in October, 1979. But Sir Austin said yesterday that, when the time came, British Aerospace would be able to prove by its record that it would be better left alone to get on with its job.

British Aerospace had consistently made profits since its formation, and had either paid the full going rate of interest or had paid dividends. It had received no subsidies.

Mr. Bernard Friend, finance director, said that the company had bank credit lines of £400m, and with the new equity capital should be able to meet its cash needs for the next four years without further financing.

The company would seek to maintain a consistent future dividend policy, continuing the pattern of dividends covered three times by earnings as projected for 1981.

Prospectus details, Page 5

U.S. may end gas price control

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Ronald Reagan may ask Congress to scrap price controls on natural gas from September following his executive move last week to deregulate domestic oil prices.

But the White House said yesterday that no decision had been reached on gas deregulation, which was proposed in another document of Mr. David Stockman, the Budget Director, that was leaked to the Press.

Mr. Stockman also wants large cuts in Government support for the Synthetic Fuels Corporation, established by the Carter Administration.

The philosophy of the Reagan energy policy is clear. It is that the U.S. should make more of its natural oil and gas resources and spend less Government money on expensive synthetic substitutes like oil from coal.

Gas deregulation this year would require amendment of the 1978 Act, which former President Carter fought long and hard to see passed. That Act started the process of phasing out gas-price controls, but at a gradual rate ending in 1985.

Senator Howard Baker, the Senate majority leader, said he favoured the decontrolling of gas prices but that such a move should be accompanied by a windfall profits tax on producers such as that levied on the oil companies.

A tax would be less of a disincentive to production than continued price control had been, he said.

It would seem logical for Mr. Reagan to accelerate the removal of controls on gas prices, following his decision to end controls on oil prices immediately instead of waiting until this autumn, as Mr. Jimmy Carter had planned. Price levels of the two main fuels need to stay roughly in line with each other to prevent distortion in demand.

But Congress might baulk at the inflationary effect. Experts have estimated that on deregulation gas prices might jump from their current level of about $1.65 per 1,000 cu ft to $4.50.

Weather

UK TODAY

RAIN or showers in most parts with a few bright intervals.

London, Midlands, S.E. England.
Bright intervals, rain later with fresh or strong winds. Max. 11C (52F).

S.W. England, Wales, N.W. England
Cloudy, occasional rain with strong winds. Max. 11C (52F).

N. England, N. Ireland, Central and S. Scotland
Cloudy, outbreaks of rain strong or gale force wind. Max. 9C (48F).

Outlook: Changeable and windy.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	Locarno	S	9	48
Amsdm	C	5	41	London	C	8	46
Athens	F	14	57	L. Ang.†	F	9	48
Bahrain	S	20	68	Luxmbg.	C	0	32
Barclna.	S	14	57	Luxor	S	20	68
Beirut	C	12	54	Madrid	S	12	54
Belfast	C	9	48	Majorca	S	13	55
Belgrd.	Sn	0	32	Malaga	S	16	61
Berlin	C	2	36	Malta	R	11	52
Biarritz	C	10	50	M'chstr	R	7	45
Bmghm.	R	9	48	Melbne	C	19	66
Blackpl.	C	7	45	Miami†	F	11	52
Bordx	F	10	50	Milan	S	11	52
Boulgn	C	5	41	Montrl.†	F	−19	−2
Bristol	C	9	48	Moscow	C	2	36
Brussels	C	3	37	Munich	F	0	32
Budpst.	C	5	41	Nairobi	S	25	77
Cairo	S	17	63	Naples	C	11	52
Cardiff	R	8	46	Nwcstl	C	7	45
Cas'b'ca	R	13	55	N York†	F	−14	7
Cape T.	S	23	73	Nice	S	13	55
Chic.†	F	−16	3	Nicosia	F	15	59
Cologne	C	2	36	Oporto	F	13	55
Cphgn.	C	3	37	Oslo	F	−2	28
Corfu	T	13	55	Paris	F	7	45
Denver†	F	−10	14	Perth	S	30	86
Dublin	C	9	48	Prague	C	1	34
Dbrvnk	C	9	48	Reykjvk.	R	4	39
Ednbgh.	F	8	46	Rhodes	C	14	57
Faro	S	14	57	Rome	R	7	45
Florence	S	11	52	Salzbrg	C	0	32
Frankft	C	3	37	S'ciscot	F	7	45
Funchal	C	6	43	Singapr.	C	30	86
Geneva	C	3	37	Stckhm.	C	−3	27
Gibrltr	S	15	59	Strasbg	C	5	41
Glasgow	R	8	46	Sydney	F	26	79
G'rnsey	C	9	48	Tangier	F	14	57
Helsinki	C	−5	23	Tel Aviv	C	14	57
H. Kong	S	18	64	Tenerife	F	13	55
Innsbrk.	Sn	1	34	Tokyo	S	9	48
I'vrnss	C	6	43	T'ronto†	C	−20	−4
I.o. Man	C	8	46	Tunis	F	12	54
Istanbul	F	13	55	Valencia	F	15	59
Jersey	C	9	48	Venice	S	10	50
Jo'burg	F	23	73	Vienna	S	5	41
L. Plms.	S	18	64	Warsaw	C	3	37
Lisbon	S	15	59	Zurich	F	2	36

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

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Thatcher hint on aid

policies, but the Opposition Leader received only modest support from his backbenchers.

Mr. David Steel, the Liberal leader, argued with some effect that the Labour Party was now in a state of "total paralysis" in allowing Mrs. Thatcher to say that there was no alternative to her policies.

One of Mrs. Thatcher's prime targets was the argument by both Opposition and TUC that the £2.4bn now spent on unemployment benefits should be switched to providing more jobs.

She said that the argument was that if the 2.4m people out of work were all employed profitably it would be of great benefit to the country and to the Exchequer, and would be better than paying unemployment benefit.

She emphasised that the money now spent on unemployment and social security benefits was not nearly sufficient to create the necessary jobs, and that there was no satisfactory source of the additional cash required.

Mr. Foot believed that the Prime Minister had totally failed to understand the scale of the crisis, and given far too optimistic an account of how the economy was going to recover.

He believed that the country was facing its most serious crisis of the century because of the social, as well as the industrial, unrest created by the growing level of unemployment.

Continued from Page 1

Scott Report

clearly this is a highly desirable social objective." The "clear message" of the inquiry to the Government was that "there should be a levelling up of pensions and not a levelling down."

The inquiry found nothing wrong with the method of calculation of the Government Actuary, whose report, not published this year because of the suspension of the Pay Research comparability system, normally fixes civil servants' additional pay reduction for pensions.

While the report suggested a range of deductions, from 3 per cent to 8½ per cent, the higher end of the range was only arrived at if the assumption was made of the "most pessimistic forecasts for the economy of this country for the next 30 or 40 years."

Mr. Kendall welcomed the report's vindication of the union's claim that it was impossible to calculate comparative job security.

Richard Evans, Lobby Editor writes: The Prime Minister is acutely disappointed at the outcome of the Scott Report which she had hoped would give her ammunition to tackle inflation-protected pensions throughout the public service.

There is no sign that Mrs. Thatcher intends to abandon her attempt to reduce the net cost of index-linked pensions, but there will now be no early move.

Soundings will be taken within the pensions industry and elsewhere before a decision is reached on further Government moves

Talks on China's cancelled orders

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

A SENIOR official of China's Technology Import Corporation is to visit Tokyo later this month to discuss Japanese compensation claims on the Y400bn (£813m) worth of plant contracts that have been cancelled or postponed by China in the past few weeks.

Japanese companies involved in the cancellations are not convinced that Mr. Liu Hsin-hwe, the Chinese official, will have the authority to handle some of the difficult issues that have arisen as a result of the Chinese actions.

They have decided, however, to await his arrival before making further moves to settle the problem.

The news of Mr. Liu's visit coincides with reports from Dusseldorf that Schloemann-Siemag the West German steel engineering concern, is holding talks in Peking over the future of a DM 1.3bn (£263m) Chinese order for a cold rolled steel mill at Baoshan, near Shanghai.

Schloemann - Siemag said there was no reason to doubt that the project, which was signed in June, would go ahead, but a change could not be ruled out.

The company, which heads an international consortium on the project, sent a delegation to China on Sunday after a request from the Chinese side, and expects talks to last a week.

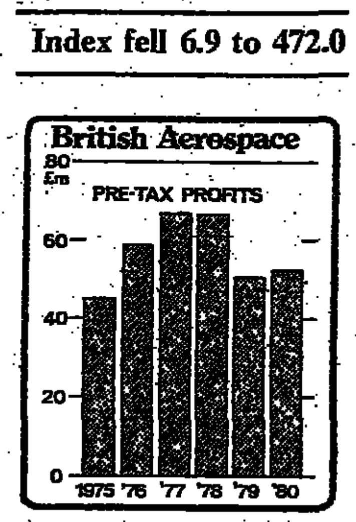
The Japanese projects affected by the Chinese moves include two portions of the Baoshan steel complex (one worth Y85bn, which was to have been built by Mitsubishi Heavy Industries, and the other worth Y80bn), two major petrochemical complexes at Nanking and Chungli (contract values Y100bn and Y105bn) and some downstream facilities at the Peking Petrochemical complex (contract value Y20bn).

Companies involved in the cancellations, apart from Mitsubishi Heavy, include Nippon Steel, Toyo Engineering (the main builder of the ethylene production centres for Nanking and Chungli) and numerous sub-contractors and trading companies.

Companies concerned with the petrochemical projects say that China appears to intend "freezing" work on the projects for two or three years and then completing them according to original plans.

THE LEX COLUMN

BAe's risks in being civil



Like almost all of the Government's candidates for privatisation, British Aerospace would have looked a good deal more attractive a year ago than today. Since then, the wobbles in Government defence spending have created uncertainty among defence contractors, and indeed one reason for the timing of the issue is that it had to await a firm statement on 1981-82 defence spending plans. On the civil side, moreover, the worldwide boom conditions of a year ago have slackened under the impact of sharply lower airline cash flow, so that even Boeing this week indicated that it expects no sales growth in 1981.

However, there is no doubt that BAe is in a much better shape than the vast bulk of British manufacturing industry, and its portfolio appeal will be that it will offer direct exposure to a sector which investors have until now only been able to participate in very indirectly through shares like Dowty or Smiths Industries. Westland, by comparison, is a special situation.

Military business continues to grow strongly, and the Ministry of Defence appears to account for almost two-fifths of BAe's total sales, but there is also a very large and broadly spread export business. The civil aircraft side is smaller but more risky, and perhaps the key challenge posed by BAe to the investor is that the group has been encouraged during its years in public ownership to build up its civil side and this is now affecting cash flow—through launching costs—profitability.

Thus, after conservatively writing off most launching costs on its new civil projects the group is showing lower profits than during the late 1970s, and indeed on a current cost basis it only broke even last year. For 1981 the hope is that thanks to a lower rate of inflation current cost earnings will at least be enough to cover the forecast dividend costing £15.6m (excluding advance corporation tax).

In terms of cash flow, the civil side will call for heavy external finance in the next few years, and from an initial position of no net debt the group anticipates the utilisation of up to £400m of loan facilities over the next few years. Against net worth of some £600m, including the proceeds of the present issue, the gearing would not be high. Still, the contrast with the £300m market value put on the equity at the issue price illustrates the underlying problem of low profitability.

Incidentally, the prospectus allows sums to be done on the merits of the Labour Government's nationalisation terms. As well as the compensation of some £160m, the Government has put in £110m of public dividend capital, to which should be added £100m from the subscribers to the issue. If the whole package is worth only £300m, there is no prima facie evidence of serious injustice of the kind which might impress the European Court.

As for the likely level of response to the issue next Friday, a lot could happen in a week to affect sentiment (including, perhaps, a delayed MLR cut on Thursday?). A yield of 7.4 per cent is not enormously impressive, but there will be plenty of City muscle behind the offer, and the concession to sub-underwriters whereby they will be able to offset applications against underwriting commitments will help greatly if the response looks slow.

UDT

The news that UDT has made an attributable loss in the half year to September comes at a time when two would-be suiters are vying for the privilege of paying very large sums to buy the business. The Trustee Savings Banks currently have the edge with a cash bid of £110m, which represents a premium of 50 per cent on the market price before the auction started, and is slightly above net asset value. But this is only marginally more than the opening shot from Lloyds and Scottish, and the market is betting there is more to come with UDT's shares standing a little above the highest offer.

Given UDT's chequered h[istory], it might seem crazy th[at] anyone would think it wor[th] paying asset value for the bu[si]ness, let alone a premium f[or] goodwill. The company was [on] offer for years, and no-o[ne] seemed interested. And it [is] not as if the bidders are fina[n]cial giants. Lloyds and Scotti[sh] is capitalised at £176m, and t[he] TSB group has never played this league before.

Of course UDT could mal[ke] more money if it had access [to] finance on the terms availab[le] to the two bidders, and a peric[od] of falling interest rates woul[d] do wonders for its profits. [It] also has some saleable propertic[s] and a very attractive busines[s] in the commodity clearin[g] house, which probably make[s] upwards of £7m and is growin[g] fast.

But the main motive for th[e] bids seems to be that UDT represents the last opportunit[y] to buy a major independent in[-] stalment credit business. When it comes to grand questions of long term strategy, mere details like the price tend to take second place. And Lloyds and Scottish has two very powerful shareholders, who are apparently willing to underwrite its shares on favourable terms. This story may not be over yet.

Lonrho

After three years of stagnant profits (in spite of big increases in issued share capital) Lonrho has broken free with pre-tax profits for the year of £119.1m, against a comparable £78.2m. Even this was a little short of expectations and in spite of an increase of a third in the total dividend the share price moved up only 4p to 108p. At that level the yield is 14 per cent. So the market seems to have interpreted the rise in the dividend more as a tactic in the battle to takeover the House of Fraser than anything else.

Of the £40.9m overall rise at the pre-tax level, the mining and refining improvement represented no less than £37m. Elsewhere the Princess hotels have been made a significant positive contribution at the trading level, but have also helped the central finance charges to double. This year the mining outlook is less buoyant, though there should be more from sugar and UK textiles should be brought back to break even. Overall a modest improvement in underlying profits is probably the best that can be expected; House of Fraser would be unlikely to contribute anything net of financing costs.

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